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This issue of the REVIEW was prepared by the
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INTRODUCTION

THIS NUMBER of the REVIEW OF EDUCATIONAL RESEARCH is the fourth to be devoted to finance and business administration; previous issues appeared in April 1932, April 1935, and April 1938. This number follows the same general plan as previous numbers, but there are changes in the title and contents of some of the chapters.

This is the first number in which a chapter has been devoted to the administration of school transportation (Chapter IX). A separate chapter has been set aside for the legal aspects of finance and business administration (Chapter XII). Chapter VII, for the first time, attempts to cover fully the important field of school credit regulation including the management of school securities. In Chapter X an effort has been made to treat supply management more comprehensively than previously. Material relating to higher education has been included in various chapters instead of in a separate chapter. The chapter on salary scheduling, which has appeared in previous numbers of this series, is omitted from this number since it is now included in the issue of Teacher Personnel (June 1940). The literature cited, as in previous numbers, includes significant related researches by other than educational authorities, particularly when there appeared to be conflicts in the findings and conclusions.

EDGAR L. MORPHET, *Chairman*
Committee on Finance and Business Administration

CHAPTER I

Planning in Finance and Business Administration¹

WAYNE W. SOPER

PLANNING OF ANY KIND looks to the future. Financial planning embraces the fiscal aspects of education, but its ultimate objective is not simply financial economy, adequate support, and wise expenditure of funds; the objective is more particularly an educational program adapted to changing educational needs. Financial planning overlaps such areas as educational support, budgetary procedure, and costs.

Local Planning

The board of education is the chief agency for local planning, but it may be guided by the school executive and the community. Barnes (4) suggested that boards of education should serve as buffers between discordant community elements and at the same time should assume social leadership expected of educational trustees. Deffenbaugh (15) intimated that, since local boards are responsible for the raising and expending of the largest percent of school revenue, they should plan seriously the fiscal aspects of their duties. That the school executive sometimes usurps the board's function was implied by Mulford (33) when he stated that teacher-training institutions sometimes err in not impressing upon prospective school executives the purely administrative nature of their jobs. Boards of education should expect the administrator to preserve the continuity of planning and to report the trends that affect planning but should not rely upon him for formulation of plans—policy-making.

As an aid to planning for bonded indebtedness, Mulford (32, 34) suggested two worthwhile improvements: (a) a better scheme of amortization based on departmentalization, and (b) amendments to school laws which would permit accumulation of surpluses to be invested in government bonds, timed to fall due as new construction is required. Scates (43) outlined steps to be taken in getting votes for a bond issue or tax levy. He suggested (a) a sponsoring lay committee, (b) a planning committee to do the basic work, (c) a liaison-leadership link between planners and field workers, and (d) field workers—speakers, canvassers, writers, reporters, and contact groups. Schmidt (44) discussed the need for uniform accounting and control of student and school funds. He suggested that records of such funds be kept and reports made, and that the authority to expend be separated from the custody of moneys.

¹ Bibliography for this chapter begins on page 140.

Statewide Planning

Two agencies contribute directly to statewide planning, the state board of education (or education department) and the state legislature. Other agencies—state teachers' associations, labor organizations, youth councils, adult forums—exert varying degrees of influence and pressure, but none of these possess any legislative or quasi-legislative functions. Mort (31) recognized the state's responsibility for setting up boundaries within which local units can function satisfactorily when he outlined a structure of school finance wherein the state does the planning of major issues and localities are left sufficient details to preserve local initiative and independence.

The need for more careful planning to avoid future difficulties, such as some of the states find themselves in today, was emphasized by several writers. Ade (1) stated that the present plight of the schools in Pennsylvania was not of sudden development but due to causes growing out of inadequate or ineffective legislation of long standing. Speaking of inequalities in public education in Kentucky, Bell (5) and Whittinghill (49) indicated that the remedy lay in a better-planned program of state support. Burke and members of the staff of the New York State Teachers Association (8, 35, 37) commented upon the findings of the Regents' Inquiry that New York State needs more education, not less. It was argued that the present reduction in state aid penalized the very districts that needed it most. A review of the activities of such tax-conscious groups as the Associated Industries of New York State, the American Petroleum Institute, the New York State Economic Council, and the Citizens Public Expenditure Survey, included a warning of their likely future attacks upon the cost of education because (a) federal taxes cannot be reduced, and (b) it is politically safer to attack the schools than any other large-spending agency at the present time.

Faulty tax systems were blamed by several of the authors already referred to and also by Chisholm (10), Hudson (24), Joyal (25), and Witham (50) for many of the fiscal difficulties of the schools. Some new taxes, designed to relieve the tax-oppressed, have removed a tax burden from one shoulder and placed a heavier one on the other shoulder. A recasting of the tax structure for school support is necessary in some states to equalize the taxes paid by different industries. In general, railroads are overtaxed while other profit-earning enterprises are under-taxed. Phillips (39) referred to large accumulations of delinquent taxes, reduced cash balances, increased short-term borrowing, and reduced valuations as problems being attacked by the Michigan State Teachers Association.

Indicative of far-reaching plans to ameliorate inequalities of educational opportunity are statements by Holmstedt (23), Dewey (17), and comments in *School and Society* (2). The answer to inequalities does not lie in a panacea applicable to all states, but in revisions, adaptations,

and adjustments of many elements peculiar to each individual state. Elimination of small districts and substitution therefor of larger administrative units has gained wide acceptance. Morgan (30) reported that the state retail sales tax of California represented a major source of revenue for the schools. According to a study by the New York State Teachers Association (36), New York State property taxpayers have received major benefits from state aid for education: (a) reduced property tax rates, (b) tax relief for confiscable property, (c) automatic school economies, and (d) avoidance of increases during the depression. Covert (12) and Bolling (6) reported that financing the educational program in West Virginia had been greatly improved by the new program of school organization and financing.

National Planning

Problems of educational finance should concern the statesman as well as the educator. Both must see to it that enough of the social income is invested in education "to maintain a level of culture sufficient to support democratic institutions." Several writers warned of the serious competition among governmental agencies for tax moneys. Larson (27), noting the trend to pensions for the aged, stated that much study and effective financial planning must be done before the states choose between schools for youth and pensions for the aged. Kirkendall (26) warned of the threat of relief expenditures to educational financing.

According to Coyle (13), Dawson (14), and Douglass (18), the only solution to pressing financial problems in many of the states, especially those states with low wealth per school child, is federal aid. Of necessity, adequate financial support of public education during the next decade must rest upon economic policies for the country as a whole (22). Dewey (16) outlined a plan of cooperation between the states and the federal government, reserving to each certain tax sources, and Strayer (45) urged a campaign in which all educators must participate to enlighten the public regarding the needs of our schools.

Forethought in Business Management

Arnold (3) revealed that the field of business management is not sufficiently reflected in educational research because (a) relatively few research workers are in close contact with this field, (b) some feel that the business management of education is a matter of lay concern, and (c) the problems of finance and business management are frequently foreign to schoolmen. Parmenter (38) and Bittenheim (9) implied that business management services are essential to the conduct of an effective educational program. Reeder (40, 41) argued for an improvement in school business management and outlined research problems in this field. Engelhardt (20) pleaded for a trained, creative, dynamic, business

worker able to cope with the pressing complex problems of today. Lewis (28) and Rich (42) emphasized savings through good management. Further aspects of personnel and training are given in Chapter XI.

Bolmeier (7) discussed municipal participation in the control of the city school property in those localities where the law vests the control of such property wholly or partly in city officials. McCuen (29) reported upon a survey of school property accounting in California and indicated that in general, lower standards prevailed than those recognized as essential by authorities in this field. In a series of articles dealing with the management of school property, Weltzin (46, 47, 48) discussed statutory provisions in certain states relative to title, transfer of title, sale of school property, and debt limitations on such property.

Permanent School Funds

Planning for the preservation, investment, and use of permanent school funds began in some states even before the perfection of a school organization. That some of this planning (or lack of planning) was faulty is well known. The process of correcting earlier mistakes and of making wiser provision for the future security of such funds still goes on. Elliott (19) reviewed the status of permanent funds in Michigan; Covert (11) indicated that of the forty-eight states Minnesota has the largest permanent investment fund for the public schools, the income of which is used for three main purposes. A definite recommendation for a better employment of, as well as a safer investment for, the state permanent school fund comes from the biennial report of the Florida State Department of Public Instruction (21). This report recommended as a future policy the investment of the permanent fund in local school bonds, thus safeguarding the fund and at the same time providing a cheaper and more satisfactory source of capital funds for local districts.

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CHAPTER II

The Support of Education—Major Problems

LESLIE L. CHISHOLM

THE GRAVITY OF INADEQUATE financial support for schools has recently been indicated in the *Journal of the National Education Association* (22) and the *School Executive* (23) which pointed out that (a) school districts serving 3,000,000 children are forced to curtail their school year by three months, (b) 2,400 schoolhouses are actually locked for the year, (c) 12,000 more schoolhouses will be locked if teachers demand full payment of salaries, (d) 1,400,000 pupils sit in schoolhouses condemned, unsafe, or unsanitary, (e) 1,000,000 attend classes in tents, lodge halls, and stores, (f) 500,000 go to school only half a day because of lack of space, and (g) 800,000 attend no school because their neighborhood is too poor to provide one or they are too poor to go. Adequate support for the schools is not merely a problem of the poorer districts and states; it is a question of first magnitude also in the wealthiest states. Hammond (35) said that Arizona, Arkansas, Connecticut, Georgia, Illinois, Indiana, Iowa, Maine, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, and Tennessee "are the states in the gravest difficulties." Morneweck (55) included New York State. Large cities as well as towns, villages, and rural areas likewise face the problem of inadequate financial support for the schools. Harris (36) said that in many states, cities, and towns throughout the United States there is already in operation or is threatened, due to financial stringency, a radically shortened school year. Chisholm (13) stated that until we are able to secure a sufficient amount of money for the support of the schools, needed improvements in teaching, supervision, curriculum revision, guidance, and other areas are impossible.

Education and Economic Well-Being

Any fundamental approach to the solution of the problem of securing adequate financial support for the schools should be based on a knowledge of the relationship between the work of the school and the economic well-being of the people. In an Educational Policies Commission study (60) it was pointed out that adequate financial support of the schools is basically possible and defensible from the strictly economic point of view, as well as desirable from the social point of view.

¹ Bibliography for this chapter begins on page 152.

The very existence of our enormously productive industrial economy would be impossible if the population of the United States were illiterate, ignorant, and occupationally unskilled. . . . From the economic viewpoint, it is wise public policy to offer the kind and amount of education which will result in the largest total income after paying the cost of the education to individuals and to the nation. . . . The point of diminishing returns in expanding educational opportunity has not been reached from the economic standpoint.

G. Strayer (83) said that no one would propose that we support the services of education out of relation to the economic well-being of the people. Hunter and others (38) pointed out that education throughout our 150 years of national existence has been a major factor in enabling our 130,000,000 people, or 6 percent of the world's population, to accumulate 54 percent of the goods and services of the world. Spaulding (81) said that the secondary school more than any other single institution has helped to minimize class distinctions and to keep class lines fluid, a significant factor in the economic well-being of a people. Chambers (10) said that lack of adequate educational opportunity for farm boys and girls will tend toward the reduction of the American farmer to peasantry, with his sons and daughters drifting cityward to become an exploited substratum.

General Tax Revision

Those attempting to solve the problem of securing adequate financial support for the schools in many states will encounter, early in the effort, the question of general tax revision and efficient tax administration. Chisholm (14) and Dewey (21) have emphasized (a) defects in tax structure, (b) equalizing the tax burden, and (c) flexibility. Such authorities as Green (32) and Shultz (78) have called attention to characteristics or criteria of a good tax system: economic adequacy, economic soundness, equity or justice, breadth of base, flexibility or elasticity, and economy or simplicity of administration. They also discussed the merits of given taxes. One of the most comprehensive recent treatments of the property tax is that by Woodworth and others (96). Wolfbein (95) studied property taxation through the trying period of the past decade. He concluded that the property tax remains the basic and most important source of revenue for municipalities. He raised the question whether, if the property tax has broken down, the state should increase the amounts of money it sends back to the cities. Ford and Wood (30) have studied the taxation of intangibles, indicating problems and methods.

Efforts at Tax Revision

The National Education Association at its 1938 summer meeting passed a resolution urging educational organizations to carry on an intensive program to enlighten the public on the question of general tax revision. The Michigan Education Association (68) has studied state tax adminis-

tration, the sales tax, corporation tax, inheritance tax, the personal income tax, and similar possibilities in taxation. Attention also has been given to uniform reporting by local taxing units and to uniform budgetary procedures. Recent efforts in Kentucky (53) deal with taxation as it pertains to the support of the schools, particularly local and county taxation. An interesting aspect of the study is the constructive help and leadership furnished by the school of education of the University of Kentucky. In New Jersey (28), educators recently have studied the tax problem as it exists in that state. Certain groups or organizations outside the field of education are doing commendable work aiming at general tax revision. The Princeton surveys of local and state finance are comprehensive and constructive.

Recent efforts in the state of New York, like those in many other states, are the outgrowths or the continuation of efforts reaching as far back as the Educational Finance Inquiry of 1923. Recent problems, however, have to a considerable extent given direction to efforts. The New York State Teachers Association in its journal has printed a series of articles, for example Simpson (79), on various phases of taxation, especially as they pertain to the adequate support of the schools, and has cooperated with other groups interested in tax revision. In Ohio, a Citizens' Committee on the Crisis in State School Finance (65) and educators of that state are concerned with the elimination of earmarked taxes and arrangements whereby all obligations of government shall be provided for on a comprehensive budgetary basis. In Oklahoma, educators (67) are particularly concerned with the operation of the homestead exemption law as it handicaps more adequate support for the schools, as well as with its bearings on the practice of counties in making reserves for delinquent taxes.

A committee of the Pennsylvania Education Association (66) prepared a comprehensive report on school costs in that state. Chapter 2 of that report discussed taxation laws prevailing at that time, pointed to needed tax revision, recommended a state tax commission, and presented estimates of several potential tax sources. The material was prepared from the point of view of tax education. In Utah (93), efforts are aimed at securing a more equitable distribution of the burden of taxation among those who should pay taxes, through the levying of personal and corporate income taxes, revaluation by the state tax commission of all property assessed by county assessors, and distribution of motor vehicle license revenue to cities and towns for street purposes. In Virginia (11), educators have sponsored a study of sources of new tax revenue for the state. A committee of the Washington Education Association (94) prepared a bulletin on taxation in that state. Chisholm (14) said that the aim is to lay a firm foundation through study and discussion for the revision of the state and local tax system, to the end that the services which a democratic people want their government to perform shall be supported according to principles inherent in a democracy. A feature of efforts in the state of Washington

is the part played by one of the state's institutions of higher learning in affording as a part of a summer session an educational finance workshop where educators, especially chairmen of local study groups, may have an opportunity to make a comprehensive study of the problems of taxation and educational finance (12). Recent efforts in West Virginia (72) have been in the direction, chiefly, of encouraging improvements in the administration of the property tax, particularly assessments.

Property Tax Administration

Problems of property tax administration are of concern especially to those interested in local school support. The National Association of Tax Administrators (58) has given attention to problems of property tax administration. The Illinois Tax Commission (39), in cooperation with the WPA, made a survey of local finance in that state. The report of the survey traces the development of taxing units in local government and presents a comparison between Illinois and other states. The question of assessment has received considerable attention during recent years. Martin (51) pointed out that "one of the most urgent municipal revenue problems" is real estate tax assessment and collection. He proposed equalization of assessments. The National Association of Assessing Officers (57) formulated a set of assessment principles for the guidance of assessing officials. Sparlin (80) proposed state supervision of local property assessments as the first step in the direction of better and more uniform assessments. Enslow (26) discussed the New York State plan for assessment where state supervision of assessment is carried on through a bureau of the state tax commission. The Connecticut State Tax Commission (16) prepared a bulletin on modern methods for assessing officials. The Illinois State Tax Commission (40) prepared an assessors' manual.

Tax Limitation, Exemptions, and Delinquency

Thiel (90) listed and discussed six types of general tax limitation. The National Tax Association (91), through one of its committees, unequivocally opposed property tax limitation as being "not in accord with sound tax theory and practice," and also opposed the total exemption of property. Martin (52) also analyzed tax limitation, which he viewed as a handicap to the more adequate support of essential government services. Buehler (9) presented a picture of the constitutional limitations on taxation. Leonard (46) said that tax limitation frequently is a technic of those who seek to reduce governmental costs generally without regard to the demand for governmental services.

Since the property tax is the only major tax which can be administered efficiently by the local school district or the local taxing unit, exemption and delinquency are problems of concern in local school support. A committee of the National Tax Association (91) expressed the "firm conviction

tion" that homestead exemption is unsound and that the movement should be "positively resisted in the interest of building sound and stable state tax systems." Schmidt (75) analyzed the general problems of homestead tax exemption and said that (a) such exemption in every case means that some will pay more and some less taxes than formerly, (b) it may result in considerable curtailment of governmental spending and hence force home owners and nonhome owners to give up the enjoyment of governmental services which they otherwise would have enjoyed. Groves (34) discussed the use of tax exemptions as a bait to attract new industries to a given state as well as to retain those already there. He concluded that although the migration of business does happen, newspaper comments on it frequently are exaggerated and that states and localities still are able to exercise considerable independence in taxing industry.

Bloomenthal (8) made a survey of tax exemptions of various types and concluded that "taxpayers should be aware of the fact that they are carrying an enormous extra tax burden in order to provide subsidies for the vast amount of real estate which pays no taxes." Allen (1) called attention to extensive tax delinquency in both urban and rural areas. He said that the delinquency problem could be remedied considerably by relieving some of the property tax burden. Bird (7) and Jackson (41) also studied the trend in tax delinquency. Herzog (37) summarized the methods used to collect delinquent real estate taxes as being of five general classes: (a) penalties and interest, (b) tax sales, (c) foreclosure of tax liens without prior tax sales, (d) civil suit by the public authority, and (e) the receivership action brought by the state or municipality. He concluded that a law should be enacted which will fairly and equally adjust the rights of the municipality, taxpayers, and the tax lien purchasers. Too much emphasis on any one of these factors may throw the law out of balance and render it unworkable.

Nonproperty Tax Revenue

Nonproperty taxation has become and will continue to be of direct interest to educators because it is from this group of taxes primarily that state aid for the schools is drawn. This is due to the fact that with minor exceptions these taxes cannot be administered efficiently by local taxing units but can be so administered by the state. Nichols and others (64) presented a comprehensive statement of the sales taxes. They followed the general plan of the Reference Shelf series and presented arguments for and against sales taxes. Lockhart (47) analyzed the sales tax from the point of view of interstate commerce, indicating its operation from the point of view of influencing trade between the states. Jacoby (42) presented a detailed summary of sales taxes as used in twenty-eight states and the District of Columbia, while the American Retail Federation (2) presented a digest of laws of the various states as they pertain to sales taxes.

Tax Magazine (88) made a compilation of state taxes on industry in fifteen states. Arant (3) presented a comprehensive survey of business taxation in the Southern states. He found that in most instances such business taxes are regressive, and by natural operation alone are adjusted to only the taxable capacity of marginal concerns. For this reason they yield little revenue. Rauh (70) discussed the provisions of the New York State tax on unincorporated business as being a tax of 4 percent on the net income of any trade or business. He said that the tax promises to remain a part of the state tax system and predicted that it is likely to be copied by other states.

P. J. Strayer (84), in analyzing the possibilities of the state personal income tax, presented information concerning the historical development of the tax, indicating renewed interest in this tax during the past decade. Strayer said that as yet the personal income tax has assumed a major role as a revenue producer in only a few states, although thirty-four states have a personal income tax. The Bureau of the Census (92) prepared a digest of state net income tax laws and the Federation of Tax Administrators (27) prepared a similar digest for tobacco taxes. Richardson (71) concluded that in the ideal tax structure license taxes will serve (a) to support property taxes to obtain tax equality, (b) as a special contribution incident to regulation, and (c) to pay costs that especially benefit individuals or groups.

Trends in Tax Legislation

In final analysis, the trends in taxation during recent years are a reflection of the expansion of governmental services and the nature of our economy, with the interplay of such factors as tax justice, adequacy, ease of administration, and vested interest. During recent years there has been an unprecedented expansion of public services. The trend generally is toward a broader tax base and an increase in the use of nonproperty taxes, especially at the state and federal levels. This development is closely related to the trend among the states and the federal government to levy taxes and share the receipts with lower governmental units. There is a definite trend in legislation toward the imposition of constitutional and statutory limitation on the property tax and toward an exemption of certain classes of property, particularly owner-occupied homesteads (homes). The National Education Association (59) analyzed tax legislation, from 1934 to 1938 inclusive, affecting state school revenue. It was pointed out that twenty-three states have passed one or more measures aimed at property tax relief. Manning (49, 50) presented a summary of approximately 350 state tax laws passed in 1938 and 1939. The summary seemed to indicate a major reorganization in tax administration offices, additional sales taxes, and relief to property owners. He also pointed out that in 1939 sixteen states provided for the taxation of federal employees and six states included

income from federal securities. One of the most comprehensive sources for continuous study of the trends in taxation is the series of volumes entitled *Tax Systems of the World* prepared by the Tax Research Foundation, the most recent of which is the eighth edition (87). These volumes list the parts of the tax systems in use and indicate each tax the revenue from which goes into the general fund of the treasury as well as the governmental services supported on the revenue collected from earmarked taxes. The *Cost of Government* series by the National Industrial Conference Board (61) gives the trend in governmental costs and tax collections.

Debt and Income

Hammond (35) pointed out that the last governmental figures placed the American school debt at over \$3,000,000,000 and that interest on this amount averaged 6.8 percent of total expenditures for education. In three states, interest payments represented more than 10 percent of the total expenditures for schools. Sutton (85) studied school indebtedness in Illinois and concluded that indebtedness in that state will be the most important school problem for the next thirty years. The U. S. Office of Education *Biennial Survey of Education* is the most complete source regularly available for information concerning the school debt. Dana's study (18) dealt with the general governmental debt, which has a direct and important bearing on the support of the schools. This is Part Two of a study, the first part of which was published in 1937. *Tax Magazine* (33) pointed out that since 1931 the total state and local debt has remained almost stationary.

Taxation and Local Control

During nearly a century and a half of our national life the local property tax carried virtually the complete load of school support. With the breakdown of the property tax during recent years under the demand for increased tax revenue for the support of expanded governmental services, a larger percent of the support of education and other local governmental services has been shifted from the locality to the state. This transition has brought to the fore the question of the local control of education, a question growing out of the theory of American democracy. Mort and Cornell (56) outlined studies for the interpretation of the problem of control. The chief purpose of this study was to analyze the effects and the adequacy of control at the state and local levels, from the long-time point of view. Bateman (6) in Utah concluded that the general principle of local initiative based on local control was confirmed, but that at no time was state aid used in Utah to encourage the diffusion of the county school district idea. Knott (45) found that the tax-leeway given local school districts during prosperous times is a factor in local adaptation of the educational program.

Federal, State, and Local Responsibility for School Support

The potential advantage gained through general tax revision may not be realized in practice unless there is a balanced distribution of the burden of support among the three levels of government—local, state, and federal—unless each level of government assumes financial responsibility commensurate to its relative tax-raising power. The general nature of the need is indicated here as an aspect of the problem of securing adequate support for the schools, while a consideration of procedures appears in Chapter III. Moehlman (54) said that the fundamental principle in the financing of public education is that education is the concern of all the people to safeguard democracy. Crowder (17) said that by leaving the responsibility for education to the states and the local districts, we have “turned democracy’s noble talk of equality of educational opportunity into a wry boast.” Sellers (77) commented on the need for the state to equalize educational opportunity among local districts up to the level of a minimum program for the state, and the need for the federal government to equalize educational opportunity among the states up to the level of the national minimum program. The Committee on State Aid of the Educational Conference Board for New York State (63) said that in order to provide more adequate educational opportunities and preserve home rule, state-collected taxes will have to be shared with school districts through a system of state aid.

Davisson (19) said that the question of state financial assistance to local governments is important and payments through shared taxes and grants-in-aid have increased rapidly during recent years. He expressed preference for grants-in-aid, which would involve (a) consideration of the financial problem of both guarantee and guarantor, and (b) a basis for distribution insuring a minimum standard without placing disproportionate tax burdens on those areas with few taxable resources. Stauffer (82) felt that state aid to local units should obtain (a) in instances where, and to the extent that, local governmental authorities do not possess adequate revenue-raising power, and (b) under circumstances in which for reasons of social control it is imperative that a given function be financially supported out of revenues raised through nonlocal sources. Swift (86) analyzed policies and methods of educational support in France, Czechoslovakia, Austria, Germany, England, and Wales.

Social Interpretation and Educational Finance

Considerable attention has been given during recent years to an adequate program of social interpretation or public relations in the field of educational finance. G. D. Strayer (83) indicated the significance of a program of social interpretation in the solution of the problem of adequate support for the schools when he said, “Nothing will more certainly deny adequate support than a lack of understanding.” Kefauver (43) said that the controlling public opinion controls education and that none of the existing

controls of education is permanent; all can be modified. Graham (31) said that the people will support education to the extent that they realize its importance to their welfare and have confidence in the schools. Deisenroth (20) pointed out the need for an understanding of the work of the school on the part of the laborer, small town store owner, and others as a basis for offsetting the adverse influence at times of "a few of the really big men of town." According to *Nation's Schools* (29) the teaching profession should carry on a continuous program of interpretation as a means for securing more adequate financial support. Saylor (73) pointed out that the taxpayer is going to evaluate, to demand substantiating evidence, to require value received for money spent, and to be content with an average program unless he can be shown the need for a progressive, well-rounded educational program in the schools. Sears (76) said the interpretation program should come to grips with the real problems of education as a means of soliciting the full cooperation of teachers in a clearly conceived plan for the solution of the problems. A section of a national seminar on the protection of school funds (31) dealt with informing the public about the schools.

Procedures in interpretation—Englehardt (25) said that the school and other essential governmental services can be financed adequately if educators and social workers, civic planners and schoolboard members, lay leaders and economic experts, business realists and humanitarian idealists join in local conference to make possible the integration of programs and to develop comprehensive long-range plans covering all outstanding group and individual needs. On the basis of experience in campaigns covering three bond issues, one building levy, and four special operating levies, Scates (74) stressed the need for an adequately planned program of interpretation, called attention to the need for variations in programs for different communities, and discussed various parts of a larger type of financial campaign. A report in the *Elementary School Journal* (69) gave the results of a survey of public attitude toward the support of the schools in Michigan. The same general technic was used as that in the Gallup polls. The results obtained indicate that 68 percent of those surveyed did not favor the \$5,000,000 or 11 percent cut in state aid for the schools made recently by the state legislature. The survey also studied the reaction of groups and found that "Republicans and Democrats, Protestants and Catholics, rich and poor, farmers and urbanites—all agreed that public education should be guaranteed more adequate financial support." Any truly worthwhile or significant program of social interpretation must take hold on the humble plane on which the people's thinking rests at any given time.

Retrenchment

There are some who propose a negative approach to the problem of inadequate financial support for the schools in place of seeking general tax revision, an equitable distribution of the burden of support among

the three levels of government, a defensible plan for the distribution of funds to the local school district, and efficient employment of revenue. Many proposals for retrenchment have come from taxpayers' associations and economy leagues, which the *American School Board Journal* (89) said have grown up "like mushrooms and have continued to grow in number and in intensity of activity." It said that while in many instances the citizens identified with tax pressure groups manifest a cooperative attitude toward school interests in suggesting revisions in the local educational program, they nevertheless in all instances demand drastic cuts in school costs. Leonard (46) said that those who proposed drastic reductions in taxes gave only minor consideration to the demand for governmental services by the people. He challenged the logic of the inference that a taxpayers' group represented the thinking of all taxpayers. Asplund (5) proposed a constructive approach to economy in governmental expenditure through such controls as budgetary procedure, uniform accounting, reports, annual audits, and statutory provisions whereby governmental expenditures may not exceed income. A ten-point set of criteria for judging the merits of reports is given. Hammond (35) said that since many states spend less than \$30 per pupil for current expenses of the schools, a proposal for retrenchment in school costs is like telling a man with a family of ten to feed on \$10 a week that he simply cannot spend so much on food. It was the study by the Educational Policies Commission (60) especially that left proposals for retrenchment little ground on which to stand:

Economic theory proposes that enough education should be provided so that persons can work in the manner and in the occupations where the aggregate of their incomes will total the largest amount over and above the cost of education involved. If any less education is provided, the income of society will be correspondingly reduced. . . . One role of education in a democracy is to remove factors, other than those named above [differences in capacity and diligence], which result in differences in income. We know that the amount of education thus far provided in the United States is insufficient to fulfill this role.

It stated that from the economic point of view a state or nation can well afford to spend funds for education up to the point where the economic dividends realized by society from the schooling are not exceeded by the cost of education.

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CHAPTER III

Federal, State, and Local Support of Education¹

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DURING THE PAST three years there has been increased emphasis on a more equitable distribution of the burden of school support among the three levels of government—federal, state, and local. Perhaps in no other equal period has there appeared so much research and discussion pertaining to the responsibilities of the federal government.

History of Federal Support

Blauch (7) traced the history of federal aid for education, beginning with the first grants of land before the adoption of the Constitution. Dawson (33) presented a brief history of federal aid, emphasizing efforts to secure federal aid for education since the World War. Judd (55) pointed out major steps in the history of federal aid for education. He said that the time has come when emergency measures should be replaced by a clearly perceived policy. Pulliam (82) traced the history of federal aid from 1785 to the present, discussing federal legislation and mentioning the amount of aid. He pointed to specific illustrations of grants without control and grants with definite controls and described recent federal educational projects uncoordinated with the work of the regular school system. Russell (86) presented a brief history of federal aid for education.

Establishing the Principle of Federal Support

The Advisory Committee on Education (1) established several significant points on the basis of a vast amount of supporting data: (a) that the states vary widely in basic ability to support education and in the educational load to be carried, the poorer states having many more children in proportion to the number of adults; (b) that education in large sections of the country is in a deplorable condition due to the lack of adequate financial support, and that this condition generally is not due to the lack of effort on the part of the people to support schools in those areas; and (c) that federal aid for education is sound in principle and essential if all American children are to have adequate educational opportunity. The Advisory Committee's report and its accompanying nineteen staff studies have stimulated much thinking and discussion. The report has been commented on by Butterfield (13), Chambers (14), Dawson (33), Edmonson (39), Givens (46), Hall (50), Lane (58), Norton (78), Strayer (91, 92), and a number of magazine editors. Ganders (45) presented a

¹ Bibliography for this chapter begins on page 167.

comparative summary of the reports of the two advisory committees of 1931 and of 1938. Dawson and Carr (36) summarized the report and the nineteen staff studies.

Nine well-known educators and laymen (81) recently made statements on federal aid for education. Strayer (92) pointed out that federal aid for education is based on the need of the several states, the fact that the nation is rapidly becoming a single economic unit, and the mobility of the population. Chisholm (22) compared the fight for federal aid for education to that for public school support of a century or more ago and said that the present effort is merely another phase of the battle for adequate educational opportunity for all children in this country. Pulliam (82) said that it is only through the use of the superior taxing power of the federal government that we can provide equal educational opportunities throughout the nation and hence have a truly democratic school system in our industrial society.

Swift (96) said that public education in the United States has never been universal, democratic, or universally free, and that the crisis in school support during recent years has been merely a sharp upward turn in a pathological situation that has existed throughout our national history. Chisholm (23) made a study of the experiences of the rich and the poor states in financing their schools during depression years. He found that if the states were ranked according to basic ability to support their schools, the richest states were able to withstand four years of the depression better than the poorest states were able to withstand two years of it. Judd (55) criticized federal aid for the schools during the recent years as being nothing more or less than "a belated effort to meet by purely temporary measures a situation which has been coming upon this country for years and is now threatening to mature into a wide-spread catastrophe." Norton (78) presented a summary and interpretation of the evidence which national committees and research workers have assembled during more than twenty years of investigation. Chisholm (17) analyzed factors contributing to the need for federal aid for education. Dawson (33), Edwards (40: 121-36), the National Resources Committee (75), Givens (46), and Hall (50) discussed the significance of mobility of population for federal aid for education. Chisholm (18) treated federal aid for schools from the point of view of a wealthy populous state, devoid of sectionalism and committed to the American way of life. Dawson (34) regarded federal aid for education as a part of the new federal program of conservation of the natural resources.

A knowledge of the educational activities engaged in by the federal government is important in establishing the principle of federal support for education. Considerable interest has been demonstrated in this aspect of the problem. The Advisory Committee (1) and the Educational Policies Commission (73) have presented a comprehensive picture of those activities.

Three Major Studies concerning Federal Aid

Norton and Norton (79) brought to focus information bearing on three paramount questions concerning the problem of federal aid for education: (a) is our economy adequate to support a modern program of education, (b) what is the financial condition of the schools in the various states—including such items as ability of the states, effort, adequacy of the schooling being provided, and (c) what meaning does all this have to social policy? On the basis of this study the authors concluded that the nation did possess the economic ability to support an adequate program of education but that this condition will not result in adequate support for the schools unless there is some pooling of the nation's economic resources for school support.

Chisholm (24) concluded that the fiscal policy of the federal government has added to the gravity of the problem of financial support for schools. He made a study of who actually paid the federal taxes eventually; i.e., the extent to which each federal tax finally came to rest upon the economic resources of each state as a result of tax shifting by those who initially paid the tax. He found that the states least able to support their schools under a system of state and local taxation based on the Model Tax Plan, the states which by existing tax plans were least able to raise revenue for support of their schools, which kept their schools open the least number of days and furnished their children the poorest building facilities, were generally the states which, since 1928 and 1929, the federal government has called upon to contribute an increasing amount and an increasing percent of the total federal tax collections. The federal tax load on some of the poor states has doubled during the past decade while it increased less than 50 percent for the country as a whole.

In his study of the responsibility of the federal government for the support of the schools, Edwards (40) pointed out wide variations in the basic ability of the states to support their schools and significant variations in the educational load to be carried in the several states, due primarily to differentials in the birth-rate. He said that unless the federal government assumes its responsibility for the support of the schools, education may become an instrument of social stratification and of regional and racial inequality instead of a force to equalize opportunity. Edwards put the gravity of this problem on the front doorsteps of every state when he pointed out the extent of interstate migration. Particularly is the migration of youth from the underprivileged educational sections of the country to the wealthy industrial states and larger cities very great. These youth bring with them the handicaps of an inferior education.

Some have argued that federal aid for schools during recent years is being taken care of through federal relief expenditures and other forms of federal subsidies to the states. This trend of thinking would serve the purpose of a grand finesse in the case for federal aid for education. Chisholm (19, 24) made a study of this question and concluded that what

the schools need most from the federal government is direct federal aid allocated to the states according to the most defensible plan that can be devised.

How Much Federal Control?

The question of whether federal control should go with federal aid for education has been one of concern to those interested in the relationship of the federal government to education. The Advisory Committee (1) stated four reasons for state and local control of education: (a) it makes possible local experimentation, (b) facilitates the adaptation of the schools to the needs of the people in greatly varying areas, (c) denies to any group or party temporarily in control in the central government the opportunity to regiment through propaganda the thinking of the American people, and (d) encourages the acceptance of responsibility by all the people for the maintenance of public education. The committee, however, after accepting the general principle of state and local control, did approve some federal control. A discussion of federal control formed a part of the 1939 program of the American Educational Research Association. Reeder (84), for example, presented arguments for a given amount of federal control, but definitely limited the nature and the extent of federal control which he favored. He would safeguard state and local initiative and control over the curriculum but would have the federal government make certain that federal aid for education was spent honestly and efficiently. Dawson (35) argued against federal control as being unnecessary since the conditions which such control seeks to remedy prevail chiefly because (a) there is a lack of adequate funds, (b) it is based on false assumptions, and (c) it is difficult or impossible at times to administer. He stated that the equalization of educational opportunity is the one big aim, not the paternalistic domination from a "supposedly superior federal intelligentsia." He outlined ways he believed the use of federal funds could be safeguarded without federal control.

Fowlkes and Edmonson (44) debated the question of federal control. Fowlkes favored federal control of education and proposed that federal aid for the schools be given through a series of grants for specific parts of the educational program. Edmonson opposed federal control and proposed that federal aid be given for the general support of the schools. Butterfield (13) favored some control. Swift (94) criticized the policy of a system of national grants entirely free from national direction and supervision, and said that he found no place in the history of state aid in England and Wales for that policy. Edwards and Richey (41) found that state-administered funds did not appear to be equitably distributed among rich and poor, urban and rural areas. They said that if the federal government should adopt the policy of granting aid to the states to equalize educational opportunity some precaution should be taken to insure an equitable distribution of the funds within the states. In his review

of the history of federal aid for education, Russell (86) concluded that support and control are not likely to be separated very far. A statement by Campbell in the *American Teacher* (81:58) warned that the alternative to federal aid and control may be an increasing proportion of separate federal agencies such as those which have operated since the beginning of the depression.

Strayer (92) claimed that federal control over special grants such as those for the construction of buildings is undesirable and likely to lead to further control. A volume by the Educational Policies Commission (74) recommended that the control in existing programs of federal aid for the schools should be repealed. It was pointed out that national control of education is used by the totalitarian state to regiment the thinking of the people, while a decentralized school system is a most effective means of guaranteeing freedom of speech and of discussion as well as of protecting the schools against the propaganda of political groups in control of the central government at any given time. Kefauver (56) said that any control which the federal government exercises over education should be through professional leadership, well-supported experimental centers in different sections of the country, large research projects, and service activities. Edmonson (39) said that the question of federal aid should first be faced frankly by educators and not forced upon the schools through federal legislation.

Hall (50) asserted that the surest safeguard against federal control is an efficient, adequately staffed and equipped state department of education. Chambers (14) proposed that federal aid should be allocated to the states on the basis of an index of financial ability and educational load. Mort (67) and Charters (15) each proposed that federal aid should be allocated to the states on the basis of a formula. Pulliam (82) favored the general principle that all federal educational subventions should be placed under state administration and professional direction, but said that the federal government has a right to require a minimum amount of effort and the sound expenditure and proper accounting of federal funds. McNutt (60) said he believed that federal aid for equalizing educational opportunity among the states could be accomplished without federal control of the scope and content of education.

The Ability, Effort, and Need of States

There have been no studies devoted to the development of measures of ability or measures of effort of the states to support their schools comparable to those reported in the previous cycle of the REVIEW. However, Norton and Norton (79) have a chapter in their study devoted to a new combination of items which indicates the economic strength of a state. They also presented information concerning the ability of the states to support education based on the application of this formula as well as according to other measures. Edwards (40) presented information concerning

the ability of states to support their schools. Dawson (34) employed expenditures per person for retail sales as an indication of the economic ability of the states and found a wide range. Chisholm (17) called attention to the relative ability of the states to support their schools under the Model Tax Plan and stated that this relative ability remains surprisingly constant over a period of years. Newcomer made estimates for the Advisory Committee (1) of the relative ability of the states to support their schools. These were based largely on the approach she used in an earlier study.

Edwards and Richey (41) used a combination of measures of economic well-being to arrive at their estimate of need for the equalization of educational opportunity. These measures were (a) assessed valuation per child seven to thirteen, (b) an index of the plane of living, and (c) the number of children seven to thirteen years of age per 1,000 adults twenty to sixty-four years of age. Mort and Lawler (68) discussed four measures of educational need: (a) the weighted census unit, (b) the actual number of children of school age, (c) the number of pupils in average daily attendance, and (d) the number of weighted elementary pupil units. Norton and Norton (79) discussed three measures of educational need: (a) average daily attendance, (b) the number of children aged five to seventeen, and (c) units of educational need. Dawson (34), Givens (46), and Norton and Norton (79) concluded that the poorer states generally put forth more effort to support their schools in terms of their ability than do the wealthier states, yet the best they can do is to offer their children meager educational opportunities.

Federal Support for School Buildings

Depression conditions have made it difficult or impossible for many states and districts to meet school building needs. It also is generally felt that the problem of school building construction has stood in the way of desirable school district reorganization. Federal support for capital outlay is therefore important.

Moehlman (63) has called attention to possible plans of support for school building programs ranging from total support by the federal government to total support by the local district. The Advisory Committee (1) recommended a special grant of federal funds for the construction of school buildings to facilitate school district reorganization. Allen (2), Barrows (4), and Niles (77) each gave a comprehensive picture of the scope of federal aid for school building programs through the WPA and the PWA during recent years, as well as the extent of the school building problem still facing the schools. Allen said more than one-third of the nation's children now are attending school in buildings made available through this help.

Rice (85) pointed out the good which has come from federal aid for school building programs during recent years, but criticized the methods

of distributing such funds to the states as being on the "handout" basis instead of according to an acceptable plan of reimbursement or equalization. The net result, he said, has been that some states have benefited very greatly from such federal grants while others have not. Strayer (92) criticized the Advisory Committee's recommendation of a special grant for school buildings, because it might cause more state money to be devoted to school building construction than the state budget should permit in terms of the total educational needs. Long (59) proposed a large advisory service in the U. S. Office of Education to cooperate with the states in organizing and conducting surveys and in meeting other similar school building needs. Swift (95) reviewed the system of national aid for capital expenditures in England and Wales from the time of the first such national aid in 1833 to the present time, indicating changes in policy.

Federal Support for Vocational Education

Federal support for vocational education has been of two major types. The first is continued assistance for certain vocational work in the secondary schools. The second is through federal projects separate from the work of the regular school system. Russell and his associates (87) prepared for the Advisory Committee on Education a comprehensive study of vocational education. They gave considerable attention to its place in modern society and the responsibilities of the federal government toward it. The Educational Policies Commission (73) devoted a chapter to occupational training, placement, and rehabilitation, as participated in by the federal government. Blauch (8) prepared the Advisory Committee's staff study on vocational rehabilitation of the physically disabled. Strayer (91) said there was good reason back of the Advisory Committee's recommendation that special federal grants for vocational education be continued and that all special federal aid for vocational education of less than senior college grade be consolidated into one fund. Covert (25) reported on the amount of federal aid being given. Reed (83) questioned the President's recent request to Congress for an additional \$40,000,000 appropriation for the National Youth Administration for the construction and equipment of additional resident work centers in areas adjacent to defense industries. Reed pointed out that this dual type of vocational training program would interfere with the efficiency of the vocational work of the public schools.

Federal Aid for Parochial Schools

The recommendation of the Advisory Committee (1) permitting states to allocate a limited amount of federal funds to nonpublic schools, to be used for such services as transportation of students, textbooks, and scholarships for some students, has precipitated a considerable amount of discussion concerning the use of public funds for the support of nonpublic education. Hagan (49) challenged public support for public schools only,

and said that the separation of church and state so far as the support of the schools is concerned came as a result of the efforts of misguided zealots of a century or more ago. Ryan (88) said that the provision in the Smith-Hughes Act forbidding the use of federal funds for the support of private and parochial school services represents the "perennial bogey" of the separation of church and state which has been the excuse for intolerance to children attending religious schools. Donohue (38) proposed that the principle of democratic local control of education should be interpreted so as to permit local school districts overwhelmingly in favor of the parochial school to maintain those schools with public funds under a cooperative arrangement with public school officials instead of having to maintain non-sectarian public schools.

Strayer (92) opposed the use of public funds for the support of church-controlled schools because of the doctrine of separation of church and state, and the belief in the establishment and maintenance of a universal system of public education. Butterfield (13), Dawson (35), Norton (78), Pulliam (82), and Reeder (84) also oppose the use of public funds for the support of nonpublic schools. Burke (12) and the National Education Association (71) presented comprehensive analyses of the question of public support for nonpublic schools.

Federal Support for Negro Education

The feeling that Negro education is not adequately financed seems to be unanimous. The question seems to lie in what constitutes an appropriate method for remedying the condition. A yearbook number of the *Journal of Negro Education*, July 1938, presented a comprehensive picture of the nature and extent of the benefit which Negro education has received and is continuing to receive from the federal government. Wilkerson (98) prepared a staff study, devoted to special problems of Negro education, for the Advisory Committee. The Advisory Committee (1) recommended that the federal government in allocating funds to those states which maintain separate schools for Negroes should condition those grants upon the formulation of joint plans that will provide for an equitable distribution of the federal money between white and Negro schools, without reduction of the proportion of state and local funds spent for Negro education. Lane (58), while approving the general principle of state and local control over education, said that under the dual system of education existing in certain states the only guarantee of equitable division of federal funds is a specific stipulation to that effect in the authorizing federal act. Houston (54) opposed unlimited federal control of education but thought that federal control should be exercised to the extent of leveling off inequalities in education afforded white and Negro children. Norton (78) questioned the recommendation of the Advisory Committee on the grounds that, regardless of the desirability of the objective, it would mean the use of a "highly questionable general principle, namely, the determination of state educational policy

by the Federal Government." Dawson (35) said that the failure to provide adequate schooling for Negroes in states maintaining a dual school system was due primarily to the lack of money for the support of the schools generally and that the condition therefore would be corrected with adequate federal aid for education.

State Support for Education: Conditions and Trends

During recent years both rich and poor states have been either prevented from or greatly handicapped in their attempts to afford children adequate schooling. The solution to these problems has been a topic of considerable concern. Grace and Moe (47) made a comprehensive study of state school finance problems in the state of New York as a part of the Regents' Inquiry. Their study dealt with methods of apportioning state aid, the relationship of school district organization to equalization, the effects of state aid grants on public education, the trend in current expense, and unit costs in given public school systems of the state. Dewey (37) and Witham (99) each found a decided trend during recent years in the direction of the state assuming an increased part of the cost of the schools. Burke (11) analyzed state aid fundamentals. Strayer, Jr. (93) studied the evolution of state aid principles in New York State.

Edwards and Richey (41), although they found a definite and unmistakable trend toward equalization, also found that state aid in a majority of the twenty-six states they studied is not so distributed as adequately to equalize educational opportunities, the rural and the poorer counties receiving a smaller proportion of the state funds than is socially desirable. The county was the geographic unit within the state used as the basis of their study. Witham (99) used a formula for determining the degree of equalization of educational opportunity somewhat different from the indexes used by Edwards and Richey, but the findings of the two studies, so far as the use of state funds for equalization purposes is concerned, are quite similar. Holmstedt (53) analyzed the problems of state control of education, giving attention to such factors as the bases of state control of school finance, the nature and purpose of such control, and the allocation of control in school finance. Chisholm (20) showed that the fiscal policy of the federal government has a definite bearing upon the problem of state school support.

State Support for Education: Methods and Plans

The National Education Association (70) revised its one-page-per-state summaries of state school finance systems for a number of states and included information for one of the two states not included previously. Each statement shows principal sources of revenue and outlines the method followed in apportioning state school funds to local school districts. Covert and Keesecker (32) gave attention to the essential factors of legislation for

public school support, examples of various state support plans, and a hypothetical state plan for financing education. Covert (26, 27, 28, 29, 30, 31) discussed the methods used to finance the schools in Florida, Minnesota, Rhode Island, Texas, Washington, and West Virginia. Baldwin (3) also discussed the West Virginia plan. C. B. Moore (65) analyzed the adequacy of the state aid plan in the state of New York. Mort (66) discussed the effects of mandatory state legislation. Knott (57) criticized state school finance plans for failure generally to encourage local initiative adequately through tax-leeway. Chisholm (21) discussed approaches used in the state of Washington to work out plans for meeting crucial problems of school support. Bittermann (6) discussed the problem of state grants-in-aid.

State Support for Building Programs

Moehlman (63) pointed out that school building needs, particularly if desirable school district reorganization is to be effected, are the greatest in rural areas. These areas he pointed out are the ones least able to finance their schools generally and are heavily burdened with bonded indebtedness. He said that the state would need to assume its share of the responsibility along with that of other governmental levels if the problem is to be solved. Barrows (5) presented information on the school building situation in cities of 10,000 or more population and in seven states. The total shortage was estimated at more than \$2,000,000,000. Herlihy (52) presented information concerning expenditures for school plant operation in cities of 100,000 population or more for the years 1930, 1934, and 1936.

Local Support of Education

Since state aid given the schools in virtually all states is now substantial in amount, the problems of local support for the schools are closely related to problems of state support and cannot be understood except in that setting. Knott (57) studied the influence of tax-leeway on local initiative or adaptability. He found that during prosperous times tax-leeway was closely associated with educational adaptability, but during the period of economic depression high tax-leeway communities increased adaptations and reduced the tax-leeway while low tax-leeway communities either did not or could not resist the reduction of educational opportunities. Bolmeier (9) studied municipal participation in educational affairs in cities with a population of 50,000 or more, particularly in determining the school budget, the custody of school funds, auditing of school accounts, levy and collection of city school taxes, and the issuance of school bonds. C. C. Moore (64) told how pressure groups during the early years of the depression of the 1930's "nearly wrecked" local school finance in a certain city and how the solution to the problem was worked out. Overn and Knapp (80) developed an index consisting of three items for the measurement of effort of local school districts.

Taxation and School Support

The National Education Association (69) called attention to the shift from excessive tax burden on real estate to other tax sources and the collection of an ever-increasing proportion of the revenues by state governments, with a corresponding decline in the relative importance of local units as taxing agencies. Both Simpson (90) and the National Education Association (72) presented information concerning the sources of taxation used for the support of the schools. Simpson's material deals directly with the tax system of the state of New York, although he makes some reference to problems in other states. Buehler (10), Enslow (42), Newcomer (76), and Shultz (89) prepared a series of articles dealing with the business tax, the real property tax, the income tax, and consumer taxation. This series of discussions deserves the attention of anyone interested in the problem of taxation and educational support.

Tax Collections and the Protection of Funds

Givens (46) proposed that due to the nature of the modern corporation with its holding companies and interlocking directorates, its devices for avoiding taxation, and its undue influence in state legislatures which makes adequate state taxation more and more difficult, the federal government should become the chief tax collecting agency for the states. Manning (61) in a summary of state tax legislation in 1939 said that more laws were passed with respect to collection of property taxes than on any other phase of state taxation. The Michigan Tax Study Commission (62) pointed out that a major need in tax collection is the modernization of the collection system. The collection agencies in fifteen of the larger cities throughout the nation were described and principal sources of revenue given. Some attention in the report was given to the custody of funds. Chatters (16) emphasized the procedural aspects of property tax delinquency as a means for improving tax collections. He mentioned such items as the billing and follow-up, publicity, tax collection campaigns, including notices and meetings, and legal enforcement. The U. S. Bureau of Agricultural Economics (97) prepared a bulletin on tax collection procedures. As a part of the 1940 summer session of the National Education Association, Graham (48) conducted a seminar on the protection of school funds. The work falls into three major classifications: informing the public about the schools, protecting existing school revenues, and extending state support and federal aid.

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CHAPTER IV

Budgeting in Public Schools¹

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with the assistance of HARLAN L. HAGMAN

Recent Budgetary History and Current Trends

WHEN TWENTE (45) made his pioneer study of budgetary procedures in local school systems in 1922 he wrote: "In the nearly one hundred references listed in the card catalog of New York City Public Library dealing with some phase of the budget in the national, state, or municipal government as administered in the United States, the school budget is not mentioned." Public school budgeting was in its infancy at that time as revealed by Twente's investigation of budgetary practices defined by school codes, reported by superintendents of schools in an inquiry of national scope, and revealed by a personal investigation of practices in a limited number of cities. Ten years later, in 1932, De Young's interviews (14) in twenty cities in five states and his questionnaires from an additional 801 cities from every state in the Union, indicated that budgeting in the public schools was in the kindergarten or elementary stage of development.

Important trends in the area of budgetary procedures seem to be (a) increased adoption of sound budgetary practices in all parts of the country, reflecting greater insistence of state and federal governments upon sound school district business control; (b) increased standardization of budget practices, particularly in states (as California) which make mandatory the employment of the U. S. Office of Education budget classifications; (c) increased use of publicity in the form of charts, graphs, brochures for the enlightenment of the school patronage; (d) increased emphasis upon the educational program as the basis for budget-making. Other developments include greater emphasis on long-term budget planning, a tendency toward simplification, increased agreement on local school district budget powers, and more cooperation in budget preparation. The concept of a budget stated by De Young (13) seems to be widely accepted in practice, namely: "The ideal school budget contains three parts: (a) the *work* plan, which is a definite statement of educational policies and program; (b) the *spending* plan, which is a translation of the accepted policies into proposed expenditures; and (c) the *financing* plan, which proposes means for meeting the cost of the educational needs."

Completed and Needed Research

Martin (27) set up twenty guiding principles for budget-making; Grace and Moe (19) reported on budgeting in New York State as a part of the

¹ Bibliography for this chapter begins on page 175.

Regents' Inquiry; Mellon (28) investigated budgetary practices in the public schools of Illinois; Brokau (6), Cunningham (11), De Forest (12), Forrest (17), Marble (26), Merideth (29), B. H. Peterson (37), Sala (40), and Sundelson (43) investigated school budget practices in many states and reported them in graduate studies. Grose (20) studied 382 budgets in forty-six states, analyzed budget literature for the past twenty-five years, and drew up a set of principles for budget-making which he submitted to forty judges. Research which is needed at the present time includes a re-survey of practices similar to that of Twente (45) in 1922 and of De Young (14) in 1932. Campbell's investigation (9) of state supervision and regulations of budgetary procedure in public school systems made in 1933 should also be brought up to date. Numerous other financial problems related to public school budgeting, as listed by the National Survey of School Finance (33), await the zeal and painstaking skill of investigators.

Responsibility for Budget Preparation

Most authorities hold that proper budgetary practice calls for responsibility on the part of the superintendent for active supervision of the collection of data, the preparation of a tentative budget, its presentation to the board, and the administration of the approved budget (4, 18, 22, 31, 39). Several writers (16, 20, 39) emphasized the desirability of cooperative preparation of the annual budget, because (a) it is in keeping with democratic procedures, (b) it utilizes the complete resources of the school system, (c) it gives equal attention to all needs of the school system, and (d) it is based upon the educational program.

General opinion appears to favor budget preparation, adoption, and administration by school districts rather than by other governmental units (19, 31). Where the state government holds power of approval of school budgets, experience seems to indicate that educational needs would be better served if adoption power were vested in the local school administration. In cities where the municipal authority includes school administration, it is thought desirable that the functions of budget-making and disbursement be administered by the school system's administrative board. Mayor La Guardia (7) of New York City urged freedom for the city's board of education to allocate expenditures as it deemed fit. The Educational Policies Commission recommended budgetary independence (32), stating: "If the board of education is to accept responsibility for the development of the local school system, then it must have the determination and the control of its own budget." It also stated that the accounting which lies back of the school budget has little in common with general municipal accounting.

A recent Florida law (15) recognized the responsibility of the state department of education for supervising the preparation and administration of school budgets but prescribed definite limits to the authority of the state department so as to assure freedom for initiative by the local

administrative units. Changes can be required in the local school budgets when certain objective provisions are not complied with. In all other respects only recommendations can be made, and the local unit either accepts those recommendations or writes in its minutes the reasons for rejecting them and proceeds with the preparation of the budget. Severe penalties are prescribed for violating the provisions of the budget laws.

Standardization

During the past two years, school systems in California by state requirement have adopted the budgetary classifications recommended by the U. S. Office of Education (22, 31). In other states and in cities such as Gary, Indiana (4), the same classifications have been in use. The increasing tendency of states to require better school accounting practices before allocating state distributive funds has generally improved budget procedures. The rural school districts appear to lag behind the city systems in this respect (10). State assistance in financing local school transportation has been a marked factor in the past few years in improving rural school business practices in general (44). After a survey of budgetary practices in New York State, Grace and Moe (19) recommended that: "The State Education Department should prescribe minimum standards for school system budget-making and should promote long-term budgeting." The American Association of School Administrators (1) emphasized budgeting in the small school and presented a specimen budget for a school system of two hundred pupils.

Other Aspects of Budget Preparation

Simplification versus detail—The choice between detailed budgets and the simplification of school accounting in the interest of economy and clarity has not been settled. Bauch and Powers (5), after a study of budgetary practices in Washington, D. C., reported: "Budgetary procedure in the District of Columbia is needlessly complicated and expensive. Although it is necessary for the public to check officials in charge of the expenditure of public funds, there are now better methods than excessive detailing of almost innumerable items."

Basis for estimates—Holland (21) found a high degree of inaccuracy in estimating budgetary items of income and expenditure. Others (24, 29, 33, 39, 42) recognized the inaccuracy of estimates and proposed various means of reducing the inaccuracies. James (24) held that long-term budgeting provided a base for estimates. McNeely (25) held that the preparation of statements of unit costs was valuable in preparing the budget. The most common recommendation appears to be that estimates be based upon previous years' expenditures. Ford (16) held that cooperative preparing of budget estimates had to be followed by the superintendent's separate consideration of each request and the acceptance, rejection, or modification

of it. Most authorities appeared to desire evaluation of the budget on the basis of the educational program (13, 20, 27, 39, 42).

Publicity—Howell (22) described the Los Angeles plan for publicizing the budget by use of attractive brochures, charts, graphs, and other means. Bell (4) described the Gary, Indiana, plan. Many school systems provided attractively printed annual reports for their patrons. Some of these reports included an explanation of the annual budget. Rosenstengel (39) recognized that publicity given budget items may be used to the disadvantage of the schools by various taxpayers' associations, but held that public support of the schools depended upon public enlightenment and that schools had more to fear from an uninformed public than from an informed one. B. Peterson (37) analyzed state laws requiring public hearings on budgets and concluded that such hearings are desirable. Brokau (6) recommended the presentation of the budget in condensed form, presented frequently and in a form understandable by the public.

Administration of the Budget

A number of writers (16, 30, 39) found that a frequent abuse of good budget practice was the careless employment of a contingency fund to offset inaccuracies in budgeting. Mulford (30) scored the failure of a state budgetary law to provide for transfers from one account to another and thus to make the budget a flexible one. A. W. Peterson (36) said that the school accounting system was one of many tools available to administrators to aid in control. Rosenstengel (39) held that the budget was a means to an end and that it could not be considered apart from the educational program. Soldinger and Erickson (42) compared good school accounting practices with good practices in business accounting and held that in administration of the school budget, the school superintendent should follow the lead of business practice but should evaluate the outcomes not upon "profit" as represented by an underspent appropriation but upon the school educational program. Rosenstengel (39) and Grose (20) recommended use of a budget calendar by which budget-making could be carried on continuously and simultaneously with administration of the budget in current use. McNeely (25) and Rosenstengel (39) held for continual analysis of expenditures which would lead to future budgeting. Most writers (4, 18, 20, 22, 42) place responsibility for budget administration on the superintendent.

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CHAPTER V

Accounting, Reporting, and Insurance¹

WILLIAM E. ARNOLD with the assistance of W. B. CASTETTER

IN THE APRIL 1938 issue of the REVIEW the reviewer commented that "there has been little research in the field of financial and property accounting since 1935." It is discouraging to report that the same comment holds at the present time. The paucity of research in this field in no way signifies the absence of vital but unsolved problems. "This condition is probably due to the fact that too few of our educational workers are familiar with these problems and too few by training or experience are prepared to attack them" (2). There is, however, evidence of improvement in practice throughout the country as well as increased interest in the problems connected with fiscal administration. Many state departments of education are continuing their helpful activities in the form of improved accounting systems for use in local school systems (1).

Financial Accounting

The most far-reaching study in recent years of business and financial practices is the New York Regents' Inquiry (13, 15). Moe (20), who directed the studies of school business management, observed that "there are at least nine different accounting systems published and in general use in New York State, exclusive of those systems which have been developed locally." Members of the Inquiry staff devised an accounting system (35) for all except common school districts. Morey (22) reported that thirty-nine states have some provisions for uniform financial accounting. Of these, nineteen have laws requiring uniform systems. Sweitzer (42) prepared a glossary of one hundred business and accounting terms which he recommended be understood by school administrators. A more extensive glossary was published by the National Committee on Municipal Accounting (30). The terms defined are equally applicable to schools. Scates (37) described new criteria for accounting codes adapted to tabulating machines.

Internal accounting—"Internal accounting in public schools is that part of the transactions within a school district which concerns the receiving and paying out of money which is collected from sources other than the ordinary ones of state aid and local taxes," according to Osborne (32) who grouped such accounts into three classes: (a) the school activities for which the board of education advances money from the general fund for the operation of the project; (b) the internal activities for which the board of education pays periodic bills and then receives refunds in the form of fees and service charges; (c) those student activities under whose operation the

¹ Bibliography for this chapter begins on page 182.

various group or class organizations contribute funds or raise money as the result of these activities. Schmidt (38) described the New York State differentiation of funds into two groups: funds raised and managed by students, and tax money. The accounting procedures for extracurriculum and activity funds vary widely, and in the opinion of Fowlkes (12) are unsatisfactory in most school systems. He urged the National Association of Public School Business Officials to create a committee to study "the financial and business status of extracurriculum activities in local school systems." Such a committee was appointed and is undertaking the study. The auditing of student accounts was studied by Collum (4).

Transportation—Tisinger (43) reported a study of present practices in accounting for pupil transportation in which he found "that no two states appear to report their transportation costs in the same terms, and, so far as could be learned, no state has a complete system in operation where the terms used have been adequately defined." The Municipal Finance Officers Association (27) prepared an excellent bulletin on accounting for government-owned motor equipment which contained numerous suggestions applicable to public school transportation. Almost every state department of education has prepared some suggestions for records to be used in pupil transportation. There have been other valuable contributions such as those of Meadows (19), Molsberry (21), Noble (31), and Reeder (34).

Miscellaneous—Fenton (10) studied the administration and accounting for student loan funds in higher educational institutions. Cunliff (6) proposed a plan of cost accounting for plant maintenance in which he suggested a breakdown of expenditures by individual buildings into units. The Municipal Finance Officers Association (28) published a bulletin, *Accounting for Public Property*, which contained numerous suggestions of value. Another study worthy of mention is a publication of the Public Administration Service (9) titled *The Security of Public Deposits*.

Various Financial Records and Forms

Records should be primarily functional and their number should never be multiplied beyond the point where their use justifies the cost and labor involved in maintaining them. However, as pointed out by Durkee (7), it is economy to spend sufficient money on records so that those charged with supervision of operating responsibilities will have data to aid them to economize and operate efficiently. An example of the efforts of Florida to develop an improved system of record and report forms was described by Morphet (24). A committee of teachers, principals, and county superintendents cooperated. Special attention was given to textbook and transportation records. Two reports issued by the Committee on Public Administration of the Social Science Research Council should be of interest to school business administrators. One of these (39) suggested a system for recording purchase requisitions for budgetary control purposes. The recommended system is designed as a more efficient method of encumbering de-

partmental accounts with purchase requisitions. The second of these reports (40) presented interesting suggestions for coordination of the preparation of forms. Rathbone (33) described a system of financial forms he developed which are adaptable to smaller school systems. Among others, he presented forms for requisitions, inventories, budget estimates, and employees' time records. Corbin (5) devised a system of accounting records and financial reports to meet the needs of small, endowed colleges. The Chicago uniform textbook record system described by Jones (17) contains many features which can be adapted to the needs of other schools. The system includes a central master system of records covering all phases of purchase, distribution, and care of books; an individual school master record; a room or division record for each teacher; elementary-school library records; principal's master textbook records; textbook depository records; and textbook binding records.

Interstate Comparability of Data

The problem of financial records and reports has been complicated by an apparent conflict between the need for sufficient uniformity to afford state and national statistics, and the requirement that records and reports fit local needs. The U. S. Office of Education is at the present time working in cooperation with the departments of education in the forty-eight states on a study of records and reports which it is hoped will do much toward the solution of the problem. Alves (1) suggested three types of data which should be collected through state systems of records and reports: (a) data required for providing effective local administrative, supervisory, and instructional services; (b) data required by states to reveal the effectiveness of the state programs of education; (c) data permitting the comparison and consequent evaluation of the educational situation in local communities and other subdivisions of the state as well as in entire states. The chief of the Division of Statistics of the U. S. Office of Education (11) recently said: "The cause of much of the difficulty in reporting debt service items is the confusion between functional accounts and fund accounts. In general, the U. S. Office of Education is chiefly interested in reporting income by *source* and expenditures by *function*, regardless of the fund into which money goes or from which it is spent."

Auditing

Morphet (25) analyzed provisions for auditing school accounts in several states and concluded that (a) all auditing services for school accounts should be rendered by a central auditing agency rather than by local or private agencies; (b) expenses of auditing school accounts should be borne by the state; (c) a periodic audit should be made of all local accounts once per year or more frequently when necessary; and (d) auditing service should be rendered by an impartial and independent state auditing

agency rather than by the state department of education. Morphet also proposed criteria for differentiating between auditing services and policy controls (23, 26). Collum (4) made a study of audit procedures for student funds.

Annual Reports

The superintendent's annual report is frequently an important analysis of the financial and business activities of the school system and as such must be based upon complete and accurate data. Public reports influence the number and kind of internal records of a school system. Recently there has been a tendency to present financial information arranged in graphical and pictorial form. McClellan (18) reported a survey of opinion regarding contents and methods of making annual reports. Hunt (16) made a somewhat more extensive study designed to determine present practices in the issuance of annual school reports. His findings revealed that generally annual school reports are of the traditional type with a high degree of uniformity and little effort to vitalize them. He recommended that much of the detailed and analytical material be deleted and that these reports be prepared with more appeal to the reader. However, *The Nation's Schools* (36) recently observed "a somewhat modified trend away from the pictorial type of report started a few years ago by New York City and subsequently used by most of the larger city school systems of the country. New reports are illustrated with both photographs and charts but the trend is decidedly in favor of more reading matter. They are also far less elaborate than a year or so ago."

Insurance

A research committee of the National Association of Public School Business Officials has recently extended a study which was originally published in 1932 (29). The original investigation of fire insurance of public school property has been brought up to 1937 and additional studies have been made of liability insurance, automobile and bus insurance, and such forms as windstorm, sprinkler leakage, boiler explosion, and other types. The report has not yet been published. Baker (3) made an intensive survey of structural and fire-protection features, fire-prevention practices, and amounts and costs of fire insurance in the school districts of Oakland County, Michigan. Farrow (8) prepared a score-card for the evaluation of school insurance programs. Two recent studies have resulted in conclusions favorable to some form of state insurance of public school property. Gruelle (14) recommended the inclusion of public schools in the state insurance fund which covers state-owned properties. Steinhauer (41), in Pennsylvania, concluded that "school districts of this state can and should organize and operate a cooperative insurance association."

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CHAPTER VI

Educational Costs and Their Analysis'

WAYNE W. SOPER

THE COST OF publicly supported schools is engaging the attention of educators and laymen as never before in American educational history. There is a general tendency to ask why costs are high and what is the probability of reducing them. Parcells (35) warned that school costs must be justified. It rests with the board to scrutinize costs, inform the public, see that the schools give value received, and stress the fact that public education is the bulwark of democracy. Saylor (37) went even further by saying that we need scientific evidence of the schools' accomplishments to convince the public that the price of education is not too high. A study of certain Illinois schools (9) revealed that children in low-cost districts lagged from four to five years behind those in high-cost districts in reading, arithmetic, language, and geography. Reasons given were more poorly trained teachers, less equipment, fewer special services, and fewer, if any, extracurriculum activities. Teachers were urged to help keep the public enlightened on the trend in school costs by the Research Division of the National Education Association (25) which pointed out that increased costs are due to changes in the purchasing power of the dollar, the amount of school services, and higher standards.

School and Governmental Costs

The New York State Teachers Association (30) showed increased costs in all governmental services between 1920 and 1932, followed by a decline in the cost of some services and by continued increases in others. Goldthorpe (15) presented facts to show that education for the nation as a whole consumed 17 percent of the tax dollar as against 25 percent for national defense, 18 percent for interest and debt payments, and 16 percent for highways. That a very small percent of the national wealth is being spent on education was Peterson's conclusion (36). After prefacing his remarks with the statement that the citizen receives more for his money from governmental services than from any other major expenditure, Soper (41) pointed out that several factors must be controlled before costs for different services can be accurately compared, such as, satisfactory unit costs, multiple nature of governmental activities, overlapping of services, quality of services, and distinction between a continuous service and an available service. In another study Soper (42) showed that although the costs of all governmental services have increased considerably

¹ Bibliography for this chapter begins on page 187.

in New York State since 1920, the proportion of governmental expenditures going to education dropped from 33 percent to 23 percent. Public benefit, on the other hand, consumed 28 percent of expenditures at the beginning of the period and 38 percent at the close; interest increased from 5 percent to 12 percent. The National Education Association (25) showed that the percent of national income spent for public schools had varied little since 1923, and that the percent of total government costs going for school expenditures had shown a sharp decline.

Unit Costs and Cost Trends

The U. S. Office of Education has continued its series of per pupil costs for city schools (7, 8) which began with "Statistical Circular No. 1" covering the school year 1921-22. The Research Division of the National Education Association (25) reported the trend of school costs for the United States from 1870 to 1936. These costs were related to various other trends and explained on the basis of several component factors. Two reports on unit costs in colleges and universities (22, 45) have appeared. A number of studies have reported costs for particular areas and intervals of time. Two studies of costs in Ohio (19, 34) showed that the large city costs of that state were below the national average in 1936-37. Scates and Baetz (39) reported a ten-year trend in unit costs for Cincinnati and called attention to the defects in official expenditure figures as a basis for calculating costs. They showed the changes needed to make expenditures officially reported to the state comparable from year to year. Similar changes, they indicated, should be made before costs are comparable from city to city.

Braham (3) and Burnham (5) compared the costs in Nebraska with those in other states and showed that in ten years, from 1926 to 1936, Nebraska costs had dropped from \$88 to \$67. Chisholm (6) and King (20) presented comparative data for Texas. Harris (17) and McCuiston (21) compared costs of schools for Negro children with those for white children. Both Morgan (24) and Staffelbach (43) reported data for California schools. They stated that elementary-school costs reached their peak in 1930-31 when they were approximately \$102 per pupil in average daily attendance. For three successive years thereafter costs for elementary schools dropped until they were \$87 in 1933-34; but increases in the next five years brought the 1938-39 cost back to the level of 1930-31. Costs in high-school districts reached their peak in 1929-30 at \$192, after which they dropped to \$142 in 1933-34 and rose to \$160 in 1938-39. Morgan (23) also reported data for 186 California high-school districts in which for 1937-38 the range in current expenditures per pupil was from \$105 to \$628. The New York State Teachers Association (27) attributed much of the increased cost of education to expansion of secondary education. One-half the increase in state aid between 1926 and 1938 in that state

was due to increased attendance in the secondary schools. Furthermore, most of the increase in secondary-school attendance was in the smaller places where transportation and other costs due to centralization were higher.

Technics of calculation—Grace and Moe (16) employed a new unit, "the standard enrolment unit," which means one pupil enrolled in one school subject for five 45-minute periods a week for 180 days. Such a unit, they claim, provides costs valid for comparative purposes. Scates (38) and Scates and Baetz (39) described and applied a method of getting a series of average per pupil costs for a school system without their being affected by the fact that high-school enrolments have been growing faster than elementary enrolments. Because of the more rapid high-school growth during the past half century, citywide pupil costs are becoming so heavily weighted by this factor that they distort the trend of costs for a typical school pupil. The method involves the calculation of a quantity index number which yields cost trends suited to administrative use, and also equalizes different proportions of high-school students when cost comparisons between cities are made.

Factors Affecting Costs and Lateral Cost Comparisons

Lateral comparisons of costs (those at any given time) may be made between states or other governmental units, between types of areas (urban and rural), between schools for different races, between different kinds of school organizations, and between the same services in different schools or different services in the same school. The New York State Teachers Association (29) pointed out that comparisons are useful if all factors are considered, such as (a) results obtained, (b) climatic and geographic factors, (c) manner of accounting, and (d) differences in price structure in states or localities. Burke (4) states that comparisons should consider salaries, class size, overhead costs, and interest charges. Sexson (40), referring to California in particular, showed that differences in costs arise from various factors—salaries, supervisory staff, administrative overhead, recreational program, and special services. The Educational Research Association of New York State (26) described the characteristics of an adequate analysis of costs and stated that the basic issue was one of deciding what elements of an educational program can be financed at the present time.

Although for the schools he studied, Enlow (11) found that schools under five hundred pupils in average daily attendance cost \$70 per pupil while those over five hundred in ADA cost \$60 per pupil, he was doubtful of any saving if the smaller schools were closed, since most of the small schools were in sparsely settled areas where transportation is costly. Faulty school organization was blamed by Weber (46) for some of the excessive costs. Albert (1) reported that the plan to increase aid to the

primary grades in West Virginia lessened aid to secondary schools in certain counties.

Commenting on comparative costs between states, the New York State Teachers Association (28) pointed out that costs in the state were unduly weighted by the New York City metropolitan area where costs are high. Cummings and Sackett (10) found that New York State would have to expend an amount considerably above the national average to provide an adequate program. However, while New York State paid more per pupil for education than did any other state, Grace and Moe (16) divulged that this state carried less of a tax burden to do it. These authorities assigned as one cause of high costs in New York State the large number of small schools in rural areas. To reduce costs they recommended closing the one-room schools and increasing class size in other schools. The New York State Teachers Association (31, 32) showed how urbanism in New York State affected school costs, while Fitzpatrick (12) and Foster (13) presented comparative data for rural and urban school districts. The cost of guidance was discussed by Allen (2) who indicated that the cost of such service is largely the problem of how much can be afforded. Herlihy (18) reported on expenditures for school plant operation, stating that 60 percent of the total cost of such service goes for wages of the employees. Tisinger (44) agreed that transportation has grown to be a major cost item, but admitted that its analysis is difficult because of lack of reliable data.

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CHAPTER VII

Regulation and Limitation of Credit to Boards of Education¹

R. L. JOHNS

MANY STUDIES have been produced by noneducational authorities and agencies concerning the use of credit by governmental agencies including boards of education. Since 1930 educational authorities have taken an increasing interest in this field. The financial plight of the schools during the depression in the early thirties, and the excessive use of credit by boards of education between 1920 and 1930, had much influence on stimulating research on the borrowing practices of boards of education. Halsey (11) pointed out that bonds issued by state and local governments in 1927 were more than double the amount issued in 1919. Kimmel (15) reported that in 1936 state and local governments issued 382 million dollars of refunding bonds as compared with 21 million dollars in 1929, whereas new bond issues for schools in 1936 were half those of 1929. State legislatures consequently passed numerous laws from 1930 to 1940 affecting the borrowing powers of boards of education.

The two most common uses of credit by boards of education are the issuance and sale of long-term bonds to finance school building construction and the securing of short-term loans in anticipation of current tax collections. However, boards of education sometimes use other forms of credit, such as charge accounts, lease-rental payments, certificates of indebtedness to creditors, and interfund borrowing. Furthermore, short-term loans (5) for current expenses in anticipation of tax collections sometimes become long-term loans by the process of paying floating debts through the sale of long-term funding bonds. Usually boards of education are invested with the authority necessary to secure both short-term and long-term loans, subject to certain controls, but this is not universally true. Eggert (8) pointed out that the power to negotiate short-term loans in North Carolina is vested in the county commissioners; in South Carolina, in the county treasurer and the county supervisors on application of the county board of education; in Tennessee, in the Quarterly Court; and in Connecticut, in the town board. Smith (22) reported fourteen states in which some or all of the city school systems are dependent upon city or county governments for their bonding powers. During recent years another type of school borrowing authority has come into being generally for the purpose of avoiding restricting debt limitations. This type of borrowing authority generally takes the form of a holding company or a public corporation. Owen (19:115) stated: "The present period will be

¹ Bibliography for this chapter begins on page 195.

remembered for the creation of special governmental agencies or 'authorities,' bodies empowered to render public services to the people of a state or a subdivision thereof without pledging the credit of the state or its subdivision, accomplishing for the latter what its regular government officials could not do because of existing debts and debt limitations." Research studies revealing the extent of this type of borrowing and its influence on the borrowing policies of boards of education are not yet available.

Constitutional Controls on School Borrowing

Holmstedt (12:21-23) classified state control of public school finance as "constitutional controls, statutory controls, and administrative controls." He reported in 1940 that the state constitutions of twenty-seven states limited bonded indebtedness for schools and that fifteen states had constitutional provisions limiting local tax levies for schools. Smith (22) reported in 1930 that twenty-five states had constitutional limitations on school bonded indebtedness and that thirty-eight states did not have constitutional debt limits on the tax rate for debt service on school bonds. The Tax Policy League (23) reported that during 1934 and 1935 seven states embodied in their state constitutions provisions which limited in one way or another the tax-raising powers of local governments. Apparently the unfortunate practice in some states of incorporating in state constitutions inflexible provisions regulating school finance continued during the period 1930-1940. Holmstedt (12:42) stated, "Constitutional restrictions . . . have in many instances proved to be almost insurmountable obstacles to the development of an efficient state school system." The reasons usually given for imposing constitutional debt limits on boards of education are to insure lower interest rates and to protect taxpayers. Smith (22), however, found practically no correlation (.02 percent) between the severity of debt limitation and interest yield and, as has been pointed out above (19), special "authorities" are being created in some states to do school borrowing when constitutional debt limits prevent school authorities from constructing necessary buildings. Smith (22) reported that twenty-five states limiting school indebtedness by constitutional provisions set an average limit of 7 percent of the assessed valuation. After converting the rate limitations to percent of real valuation, he found that the average constitutional debt limitation for schools was 2.9 percent of the real valuation of property. He recommended statutory limitation as preferable to constitutional limitation because of greater flexibility.

Statutory Controls on School Borrowing

Statutory controls of school borrowing change from year to year. Smith (22) in 1930 reported that twenty-two states had statutory limitations on the issuance of school bonds; these were in addition to the twenty-five

states with constitutional limitations. Only one state, Maryland, had neither constitutional nor statutory limitations. Davis (5) in 1938 found great variation among the states. Eggert (9:40) in 1939 reported forty-four of the forty-eight states as having set up regulations governing short-term borrowing by school districts. "The statutes generally specify (a) the amount of borrowing that may be done, (b) the funds against which borrowing may be made, (c) the maximum interest rate that may be paid, (d) the purpose for which the borrowed funds may be used, and (e) the group or individual authorized to negotiate the transaction." Eggert (10) found no general agreement among the states as to the percent of anticipated revenue which may be borrowed but that the limits usually ranged between 50 and 75 percent of the current tax levy. Holmstedt (12:23) in 1940 listed the types of statutory regulations of both long- and short-term borrowing of schools. Whereas Smith (22) in 1930 reported only ten states as limiting the tax levy for debt service, Holmstedt (12) in 1940 found twice as many; there were respectively twenty-six and forty-five states limiting the amount of school bonded indebtedness by statutory provision. Limitations on school borrowing are increasing both in number and severity.

Most states have laws requiring a vote of the people to authorize bond issues. In a few states, according to Smith (22), only taxpayers can vote on bond issues. He stated (22:60): "Most of the states now require a popular vote to authorize a bond issue, 32 states requiring a majority vote, 5 states requiring a three-fifths vote, and 7 states requiring a two-thirds vote." Davis (5:32) reported: "One-half of the states require a favorable vote of the electors to issue bonds, and all except 5 of the other half require a vote of the electors to issue bonds under certain conditions." Holmstedt (12) listed thirty-one states as requiring a popular vote to authorize bond issues. Owen (19) stated that "most states allow schoolboards to issue bonds without the consent of the voters, up to a certain limited percentage of the assessed valuation."

Holmstedt (12) found forty-seven states now limit the time of maturity of bond issues. However, a statutory time limit on an original bond issue may in effect be no limit if the statutes authorize refunding and extending the term of payment. Davis (5:31) stated: "Forty states provide for the refunding of bonds, 18 for the funding of temporary indebtedness, and 10 for the funding of warrants. At least 16 states provide for the funding of temporary indebtedness and warrants which were originally incurred for current expenses only." The median maximum time limit of school bonds for all the states slightly exceeds 20.9 years. Statutes generally require that short-term loans be retired during the fiscal year in which the loans are made (8).

Holmstedt (12) listed twenty-seven states as requiring serial bonds. Davis (5:31) stated: "Serial bonds are required in 30 states. The general tendency in recent legislation is toward serial bonds. Thirty-four states

definitely limit the time which may elapse between the date of a bond issue and the date when payments on the bonds shall begin, the average length of which is slightly less than three years." It is possible that Davis classified long-term securities called "warrants" in certain states as bonds which Holmstedt did not so classify. Serial-type bonds are generally preferred to other types of bonds because of interest savings, avoidance of the administration of large sinking funds, temptation to defer payment by refunding, and preference of the investing public (3, 4, 5, 22). Davis (5) calculated that bond interest cost could be reduced 22 percent in Pennsylvania if the serial type of bond could be substituted for other types of school bonds.

Forty-one states regulate by law the maximum interest rates at which school bonds can be sold and forty-five states prohibit sales at less than par, according to Holmstedt (12). Twenty-five states set the maximum rate of interest on short-term loans. Davis (5) stated that at the present time the interest rate frequently paid by boards of education is considerably less than the maximum permitted by law.

Administrative Controls on School Borrowing

There has been a tremendous expansion during recent years of administrative law in the federal government and in state governments. This trend has affected the use of credit by boards of education. Holmstedt (12:24) stated:

The lack of well-established standards and the need for adaptability to local educational needs and desires are adequate grounds to eliminate many types of financial control from detailed statutory regulation. The fundamental purposes of many phases of control can be served adequately only when there is flexibility and adaptability in administration. Statutory controls generally lack these qualities. . . . It is possible and desirable for the legislature to control through general directions and specifications and permit the administrators to exercise such discretion in carrying out the instructions of the legislature as is necessary to accomplish desired objectives. This arrangement may require that the administrative body assume limited legislative and judicial functions, but such are within the power of the legislature to confer.

Holmstedt (12:25) listed, as controls exercised by state officials, check on legality of bonds in forty-three states and approval of amount and purpose of bonds in eight states. The line of demarcation between statutory regulation and discretionary administrative law is not always clear; it is probable that administrative law operates to some extent in any state in which state officials or boards are given statutory power to approve bond issues. The recency of the trend to require state approval of bond issues is indicated by the fact that Smith (22) in 1930 did not even list approval by state officials or boards. Owen stated in 1938 (20:82), "There is a general tendency for legislatures to place the issuing of bonds by local districts or municipalities under some form of supervision," and

again in 1939 (19:121), "State approval of local bonds is being more and more required."

In Alabama (21:581) the state superintendent of education approves long-term securities called "warrants" issued by boards of education for capital outlay purposes. He approves both the amount and purpose of the issues, and boards of education cannot borrow money to construct buildings unless such buildings are recommended as needed by the survey staff of the State Department of Education (17). Lawson (16) recommended state operation of bonding programs, state purchase of securities of local units, state supervision and state aid in planning capital outlay programs. Holy (13) found that 320 of the 385 school bond issues voted on in Ohio in 1937-38 were submitted for the purpose of constructing school buildings at centers recommended as permanent in the Study of Local School Units, a survey sponsored by the U. S. Office of Education and the Ohio State Department of Education.

There are other administrative methods by which the states regulate and control credit of local governments. According to the Chamber of Commerce of the United States, in North Carolina (1) bonds of municipalities are marketed through the state department of local government; in Kansas debt service payments on practically all municipal bonds are paid through the state treasurer's office; in West Virginia the payment of municipal debt service charges is made through a state sinking fund commission which has power to collect funds for this purpose from the local governments and there were no defaults on municipal long-term debts in that state throughout the depression. In Alabama (2) an "authority" known as the Alabama Public Schools Corporation, comprised of the state superintendent of education, the state commissioner of revenue, and the state director of finance, is empowered to secure short-term loans in anticipation of current state tax collections for schools. The Corporation borrows money on a short-term loan basis at the rate of 1 percent per annum, whereas local boards of education had been paying an average of 5 percent. The power to secure short-term loans is not taken away from local boards of education but the need for such loans has been largely eliminated.

Recommended Procedures for Limiting Credit

Most of the available educational research relating to the use of credit by boards of education is descriptive rather than evaluative in character. State legislatures during the past few years have enacted into law many measures regulating and limiting the use of credit, and the desirability of many of these measures is highly questionable (12). Morphet (17) recommended a plan, similar to the Alabama plan, which should result in more effective controls than those commonly established, and would obviate the need for voting bonds or limiting bond issues in proportion

to the assessed valuation, thus inadvertently discriminating against the poorer districts. Holmstedt (12:61-62) suggested the following criteria for the purpose of evaluating state control of local borrowing: "(a) Local school bonds and long-term notes are restricted to the financing of capital outlay. (b) Adequate tax levies for debt service are required by law. (c) Limitations on the amount of bonded indebtedness which may be contracted are based on the real value of taxable property. (d) State regulations of local bond issues require adherence to accepted standards of form and procedure. (e) Provisions are made for short-term loans to cover temporary shortages in funds, such loans to be limited to the estimated amount of revenue to be received during the remainder of the fiscal period." Holmstedt (12) also recommended state review and approval of local budgets and state control of auditing and accounting.

The Chamber of Commerce of the United States (1) made certain studies and recommendations which are typical of the recommendations of non-educational authorities on this subject. The following (1:22-23) were suggested as functions of a state agency for controlling local borrowing: "(a) cooperative help in developing improved accounting and reporting methods, and standards of debt control and debt administration; (b) authority to require good budgetary practice, including adequate budgetary provision for debt service; (c) requirement that an irrevocable tax levy to cover debt service be made when bonds are issued; (d) annual audit of all sinking funds; (e) regulation of short-term borrowing; (f) assistance to municipalities in marketing their bonds to facilitate sales under favorable terms; (g) direct state control to correct defaults; and (h) supervision over proposed refundings, including approval of refunding bonds before issuance."

Although there is considerable similarity between Holmstedt's recommendations and those of the Chamber of Commerce of the United States the following important differences exist: (a) Holmstedt recommended that control be exercised through the state board of education and the state department of education, while the Chamber did not differentiate between school bonds and bonds of other local governing bodies, assuming that state control should be administered by some state agency such as a state department of local government; (b) Holmstedt emphasized the importance of flexibility of state controls from the standpoint of local boards of education while the Chamber placed relatively greater emphasis on the protection of the bondholder.

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CHAPTER VIII

Implications of School District Organization¹

EDGAR L. MORPHET

DURING THE PAST three years, three groups of studies have been concerned with the aspects of school district organization relating to finance and business administration. These may be classified as (a) studies and reports related to and growing out of the Local School Units Project, (b) school surveys of various types, and (c) miscellaneous special studies.

The Local School Units Project

THE REVIEW OF EDUCATIONAL RESEARCH for April 1938 reviewed seven state studies growing out of the Local School Units Project. Since that time the reports for the remaining three states, Arizona (8), Oklahoma (25), and Pennsylvania (26), have been completed, and in addition two significant summary reports growing specifically out of the project have been published. The first of these, by Alves, Anderson, and Fowlkes (5), traced the development of the project, presented the major observations relating to each of the ten states, and called attention to numerous significant implications. The second project report, by Alves and Morphet (6), was prepared as a handbook for the guidance of states or communities in carrying on similar studies.

Numerous special studies and reports have grown directly or indirectly out of the Local School Units Project. Discussions and summaries by Alves (4), Holy (18), Fowlkes (12), and Morphet (23) have emphasized the economies as well as the other advantages to be derived from reorganization. An extensive report based on the studies carried on in Texas comprised some 1,813 pages (29). The Washington State Planning Council (33) carried on a study in that state which resulted in recommendations for substantial reorganization that would eventuate in two types of districts. Other states in which similar studies were carried on at the same time were Wisconsin, Idaho, Colorado, and Utah, although there have been no extensive publications based on these studies.

School Surveys and Other Studies of Organization

The Regents' Inquiry into the Character and Cost of Education in the State of New York published two volumes (13, 14) of material of considerable significance for finance and business administration. During the past three years Alabama has practically completed a program of county

¹ Bibliography for this chapter begins on page 201.

school surveys begun in 1927. Surveys of ten county and two independent city school systems have been completed since 1937 (1, 2, 3). Florida has carried out comprehensive studies in five counties and special phase studies in several other counties (21, 22). The Pittsburgh (27) and St. Louis (28) city surveys recognized the close interrelationship between the cities and the state system of school support and indicated that revisions in state laws and state plans of support were essential for the solution of some of the financial problems which face these cities. The survey of Montgomery County, Ohio (20), reviewed the program of services provided by the county, townships, villages, cities, school districts, library districts, and other units of government. Specific recommendations were made for the improvement of organization and the coordination of the different governmental units.

Williams of Iowa (35:68) produced evidence to show that "the present school district structure of the state creates serious inequalities in the opportunities available to children," and recommended the need for studies that would lead to the establishment of more adequate units. Hall (15) and Weber (34) submitted suggestions for reorganization in certain counties in Illinois. Bateman (9) traced the development of the county unit in Utah and observed that while reorganizations left to a vote of the people have made little progress, legislative reorganizations seem to have had the support of the people. The Minnesota State Planning Board (19) made a study of the existing districts of the state and proposed a plan of reorganization. Cocking and Gilmore (11) pointed out the interrelationship between local school units and the rest of the governmental structure and outlined some of the recent steps taken in an attempt to get away from the handicaps arising from boundaries which are coterminous.

Reorganization and Limits of Attendance Areas

The Educational Policies Commission (24) emphasized the need for reorganization for units of both attendance and administration. The summary volume for the Local School Units Project (5) pointed out that in general the larger schools in the ten states provided far better facilities and assured better retention and progress of pupils than the very small schools. The New York study (14) called attention to the 4,879 one-room schools in the state with less than 20 pupils, and stressed the fact that over two million dollars could be saved annually if these small schools could be discontinued or class sizes increased. Since the Local School Units Project was begun in Ohio in 1935-36 the one-room schools have been reduced from 2,387 to 903 in 1940-41 (18). All states engaged in the Local School Units Project recognized the importance of establishing minimum standards for schools and attendance areas. The Alabama surveys have called attention to a number of instances in which existing schools are so small as to handicap the educational program. In the Macon County

Report (2:51) the staff stated that "studies in over fifty counties show that the one- and two-teacher schools are more costly and less efficient than the larger schools." Both the New York (14) and Florida (22) studies emphasized the fact that there is a desirable maximum (elementary 600 to 800; secondary 1,200 to 1,500) as well as minimum size for schools.

Many authorities have called attention to the importance of careful studies as the basis for proposed school reorganizations. The 1939 Yearbook Committee of the American Association of School Administrators (7:221) stated: "This situation can be corrected only when modern school attendance areas are laid out which conform to the boundaries of the modern community, just as the original districts conformed to the boundaries of the pioneer community." Cocking and Gilmore (11:62) also urged careful studies as the basis for reorganization and pointed out that consolidations have frequently been made "without due consideration to the nature of the topography and the common interests of the people involved." Chisholm (10) made a similar observation regarding developments in the state of Washington.

Modifying Administrative Units

In spite of much discussion only limited progress seems to have been made in most states in reorganizing administrative units. This slow progress has been due to a number of factors, among which Alves and Morphet (6) listed: (a) boundaries of many existing local school administrative units coincide with those of political units; (b) political subdivisions are usually units for fiscal support of schools; (c) the difficulty of effecting a reorganization when some districts are heavily bonded; (d) the system of apportioning state funds as used in some states; and (e) vested interests and a general tendency to resist change. Studies in numerous states have indicated that many of the present plans are makeshift in nature. In some states an attempt has been made to work out a solution through tuition payments from one district to another. Thaden and Mumford (31) produced a map showing that only 22 percent of the land area of Michigan is within high-school districts. Some states have organized high-school districts which are separate and distinct from elementary districts; Williams (35) warned against such a plan of organization for Iowa. A number of states have sought to overcome the difficulties of the small district plan of organization by superimposing intermediate districts of one type or another. This plan, however, presents difficulties unless carefully worked out, according to the American Association of School Administrators Yearbook (7). The Washington State Planning Council (33) observed that although laws authorizing reorganization have been in effect for many years the state has almost totally failed to provide incentives. Many unwise reorganizations were cited not only by the Washington report but by most others reviewed. The need for careful, basic studies has again and again been stressed.

Effects of Size of Administrative Unit

If the local school administrative unit is small, the schools are likely to be small and consequently expensive to maintain. Moreover, if desirable administrative and supervisory services are provided, the cost of general control in a small unit will be almost as great as in a larger unit (22). All recent studies agree that the small administrative unit commonly results in excessive costs or inadequate services, or both, and that larger units are seriously needed in many states. Several states (7, 14, 30) have recommended the natural community as the logical unit where a larger unit has not already been established. The Oklahoma study (25) concluded that reorganization, if carried out as recommended, would result in saving from a million to a million and a half dollars through the elimination of small units. The advantages from central purchasing in large quantities on the basis of carefully drawn specifications which are possible only in large administration units or by careful cooperation among small units, are reviewed in Chapter X.

The New York Regents' Inquiry (14) pointed out that some of the smaller districts have had to bond for a long period of years as the only means of constructing buildings and consequently have had excessive interest charges. The larger districts have been or should have been in position to work their way into the pay-as-you-go policy and thus avoid all interest payments. A similar observation was made in the report, *Schools for the Miami Area, Florida* (22), which recommended reorganization of districts and a constitutional amendment to permit buildings to be constructed on a pay-as-you-go basis. Chisholm (10) pointed out that buildings in Washington had often been improperly located because of improper district organization. Holy (17) stated that one of the advantages of the Local School Units Project in Ohio was the fact that practically all bond issues had been for centers recommended as permanent.

Limits of Territorial Units and Political Subdivisions

Reports of the Educational Policies Commission (24), as well as those of practically all other writers in the field of education, have stressed the fact that local school units should not be dependent on existing political subdivisions, even in cities. Cocking and Gilmore (11) pointed out the danger of a misunderstanding of functions because of coterminous boundaries and emphasized the fact that school district boundaries are often not adapted to most efficient service because of this situation. The Alabama reports have stressed the fact that county and city boundaries cannot be taken as boundaries for attendance areas or administrative units and pointed out the fact that adjustments are authorized by law. The Florida reports similarly recognized need for adjustments. Trent and Dawson (32) argued that the county could not be taken as an ideal and rigid unit for that reason. Practically all educational authorities agree with the Educa-

tional Policies Commission (24) and the 1939 Yearbook Committee of the American Association of School Administrators (7) that the boundaries of both school administrative and school attendance areas should follow natural community lines and should depart from the boundaries of political subdivisions when necessary. Noneducational authorities, however, and particularly political scientists, have generally taken the opposite point of view (16).

Fiscal units—In most states the fiscal units coincide with administrative units and with political subdivisions. However, a few states have fiscal subtaxing units for schools which are not administrative units and whose boundaries do not coincide with such units. A number of the Alabama reports have recommended that the county be divided into two tax districts in order to eliminate bookkeeping and accounting for funds in the several districts. Both the Dade (22) and Escambia County (21) reports for Florida called attention to the complexities that arise from existing taxing districts and advocate drastic reorganizations.

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CHAPTER IX

Administration of School Transportation¹

A. R. MEADOWS

THE GROWTH OF SCHOOL transportation has been summarized in recent publications by Reeder (28:1-14), Lambert (13:1-4), Meadows (15:13-18), and Noble (25:1-144). Blose (4) reported statistics from the U. S. Office of Education showing that for the nation as a whole the number of transported pupils increased from 837,000 in 1924 to 3,250,000 in 1936 and the total expenditures for school transportation increased from \$29,600,000 to \$62,600,000 for the same period. Meadows (15:14) pointed out that expenditures for transportation amounted to only \$7,960,000 in 1918. Noble (25:20-21) calculated the increase in the number of pupils transported to school and in the cost of transportation by states and for the United States for 1926 and 1938. He found that the number of children transported increased 287 percent and that school transportation costs increased 182 percent for the period. Each of the above authors anticipated considerable further expansion in school transportation. Meadows (15:17) wrote: ". . . although the number of one-room schools decreased 34,709 during the period from 1924 to 1936, there remained 130,708 one-room schools in the United States at the end of the period."

Determining the Need for School Transportation

Reavis (27:21) in 1920 was one of the first to furnish scientific proof of the need for school transportation for purposes other than to consolidate schools. He found that attendance was the most important factor determining the quality of work and that ". . . distance from school is the strongest factor influencing the attendance of pupils enrolled in the rural schools of the five Maryland counties included in this study." In 1926 Mort (21) included the consideration of transportation costs in rural communities as an element in determining the cost of a minimum educational program. In 1927 Burns (5) proposed sparsity of population as the basic factor beyond the control of a local schoolboard affecting the need for transported pupils and in 1928, Johns (10) refined the technics proposed by Burns. Johns (11) later proposed other factors controlling the need for school transportation, pointing out that uninhabited areas and areas in which pupils may be expected to walk to school should be excluded from calculations in deriving the density of population factor. Applications are discussed in the next section.

¹ Bibliography for this chapter begins on page 210.

The Alabama State Department of Education since 1927 has directed transportation surveys in fifty-nine of the sixty-seven counties in the state and resurveys of eight counties. The 1939 Survey of Chilton County (3:43-85), through the use of spot maps showing the location of pupils, roads, and recommended school centers, mapped out each school bus route in detail and recommended the number, size, and method of ownership of the buses needed in the county, in terms of the recommended school organization. Lambert (13:47) commented: ". . . from these first-hand studies, particularly those in Alabama by Baxter, Morphet, and others, those in California by Staffelbach and by Proctor and Mayo, those in Arkansas by Dawson and Little, and those in Utah by Nuttall and others, there comes a clear concept of a dynamic social order in which educational needs and programs are continually being modified and improved."

Methods of Apportioning State Aid for Transportation

Most of the research studies on state aid for transportation have divided the factors influencing the cost of transportation into two general classifications, controllable factors and noncontrollable factors. Factors beyond the control of the local schoolboard include the distance buses must travel in order to transport pupils, road conditions, natural barriers to transportation, and climatic conditions. Controllable factors are those factors which the board can control through administration and supervision. Reeder (28:148-49) reported that Hutchins, in 1938, found the following practices among states:

1. No state funds for pupil transportation—23 states, including all those not listed below.
2. Equalization districts receive some aid on transportation expense—5 states, including Arkansas, Indiana, Maryland, New Hampshire, and Utah.
3. A low flat rate per pupil is allowed all districts for pupil transportation—3 states, including Massachusetts, Texas, and Wisconsin.
4. The cost, but not exceeding some maximum, is allowed from the state fund—5 states, including Florida, Massachusetts, Michigan, Minnesota, and Ohio.
5. A fixed percent of the cost of pupil transportation is allowed to each district—4 states, including Mississippi, Montana, New Jersey, and New York.
6. Some factors closely related to the cost of pupil transportation are recognized in determining the cost which is recommended and paid from the state fund—5 states, including Alabama, Minnesota, Oklahoma, South Carolina, and Washington.
7. The state pays the full cost and supplies a state program of transportation—2 states, including Delaware and North Carolina.

Noble (25:176) described the North Carolina plan, stating that "in North Carolina the state owns and operates the bus."

Noncontrollable factors—Burns (5) and Johns (10) found the most significant factor beyond the control of the schoolboard to be sparsity of population. The early work of Burns and Johns has been refined in the Alabama plan of state aid for transportation through the exclusion of the areas in which pupils are required to walk to school (2). Florida found

it necessary further to define the density of population because of the many uninhabited areas in that state, and incorporated the refined technic in the state school laws (7:226-27). The transportable area is defined as including all the area within one and one-half miles on each side of the road used in the transportation of pupils. Hutchins (8) found that the most influential noncontrollable factors are number of pupils transported, density of transported pupils per square mile, and road conditions. The Alabama State Board of Education regulations (2:7-8) governing allocation of state funds for transportation specify the following steps: (a) Group the counties in the state in a minimum of eleven density groups according to the number of transported pupils per square mile. (b) Calculate the average transportation cost per pupil per day based on costs and attendance of the previous year in each density group. (c) Using the average cost per pupil per day as the ordinate and the density of transported pupils as the abscissa, plot the average cost per pupil per day in each density group. (d) Fit a curve to the average group costs and determine the allowable cost per pupil per day for counties in each density group from the curve of best fit. The regulations contain further provisions for special situations.

Noble (25:177) evaluated schemes for measuring transportation needs as follows:

<i>Type of Measure</i>	<i>Equitableness</i>
1. Such measures of transportation as are now used in Alabama, Oklahoma, and Ohio.....	Complete
2. Objective measures, such as pupil miles, delimited by some minimum distance below which the state does not reimburse for transportation.....	High
3. Review of local transportation budget by state authorities who determine by administrative judgment the minimum transportation costs which the state takes into consideration in granting aid.....	Fair
4. A similar system operating within counties.....	Inferior
5. Actual expenditures as determined by the districts.....	Inferior
6. Flat grants awarded in lieu of transportation. The Pennsylvania plan of providing \$200 in perpetuity for all one-teacher schools abandoned is this type of measure.....	Low

Lambert (13:50-85) attacked the use of density of population in estimating the amount of state aid. If, however, proper consideration is given to uninhabited areas and to areas in which pupils walk to school, Lambert's objections to the density of population factor can be met, and have been met successfully in Alabama, Florida, Ohio, and Oklahoma (19).

Controllable factors—Hutchins and Holy (9) listed the most significant controllable factors as follows: (a) pupils transported per bus, (b) average investment per pupil, (c) number of trips per bus, (d) seating arrangement (percent facing forward), (e) percent of bus capacity used, (f) average number of bids per route, (g) percent of buses owned by the board. Where the items listed by Hutchins and Holy are not included as factors

in arriving at the cost of a needed transportation program, controllable factors, if recognized at all, have been recognized largely through the use of the actual cost of transportation the previous year. However, as pointed out by Meadows (15), the latter procedure has the serious fault of tending to perpetuate unsafe and inadequate transportation facilities.

Federal Support for School Transportation

The need for federal support of school transportation corresponds, to some extent, to the need for federal support of public education as described by the Advisory Committee on Education (1), Chism (6), Mellett (17), Mort (20), and Norton (26). If a state cannot be expected to provide an adequate public school program without federal aid, such a state cannot be expected to provide adequate school transportation without federal aid. In describing improvement of the present measure of need for interstate use, Mort (20:71-77) presented a refined procedure for arriving at the cost of transportation; but in his study the average expenditure for school transportation in the state was an important factor. Mort pointed out that such a measure failed to account for the fact that in some states much more is expected of parents in the way of providing transportation at their own expense than in others and that states less liberal in their provisions for transportation than other states would be penalized by this method of computation. The Advisory Committee on Education (1:53) made the following comment: "In many cases, potential needs for transportation have not yet developed into actual needs. The Committee therefore recommends that those States desiring to use Federal aid in part for transportation be required to allocate Federal funds for transportation separately from other Federal funds." It appears that when federal support for public education is made available there will be an insistent demand for the recognition of school transportation as part of the cost of a needed program.

Management of School Buses

Lambert (13), Meadows (15), Morphet (19), Noble (25), and Reeder (28) agreed that the state should set up general standards for safety in the operation of school buses, should provide qualified supervision and consultative services to local school administrative units; that local school administrative units should implement state regulations and set up such other regulations as may be necessary to meet local conditions in providing adequate, safe, and economical transportation, and that the main school served by each bus should exercise daily supervision of school transportation. The Southern States Work-Conference Committee on Transportation (29) proposed a comprehensive set of rules and regulations for adoption by all Southern states.

Ownership and maintenance of school buses—Practically all the studies on the method of ownership of school buses have reported that buses owned by school administrative units have been operated more economically and more satisfactorily than under any other type of ownership. This is especially true in the studies reported by Lambert (13:119) and Reeder (28:163-70), and made by Meadows (15:179-202) and Noble (25:199-278). Each of these writers summarized studies made by others on the problem of ownership of school buses. The Southern States Committee concurred in this point of view and submitted specific suggestions relating to purchasing procedures designed to promote economy (29). The state of North Carolina, through a school commission separate and apart from the state board of education, purchases, owns, and operates all school buses that are publicly owned. Meadows (15:182) reported that North Carolina transports more children to school than does any other state in the nation, and with the lowest net cost of any state, but suggested that the low cost was partly due to the fact that the state purchases the equipment and fuel, makes its own repairs, requires double duty of about half the buses in operation, and also overcrowds the buses.

The limited research available on repair and maintenance of school buses suggests that county-owned bus repair shops and subcentral shops are preferable to repair and maintenance through contract with private shops (29). A survey of the central school bus shop for Jefferson County, Alabama (16), showed that the county board of education, which owns and operates over one hundred school buses, could effect savings and improve its inspection, maintenance, and repair services through subcentral shops at schools served by seven or more buses rather than through servicing and repairing all the buses at one central school bus shop. Noble (25:320-44) reported that superintendents of rural school systems prefer schoolboard-owned garages, and listed suggested personnel and salaries of school bus shop employees, also school bus inspection reports used in certain states.

School Bus Specifications

The *Minimum Standards for School Buses*, developed and approved by representatives of the forty-eight state education departments in the April 1939 Conference (22), represented jury judgment and experience on specifications for the school bus body and the school bus chassis. This conference report is designed to secure safety and economy in school bus construction. Detailed specifications are given for seventeen major items on the school bus chassis and twenty-six major items on the school bus body. Meadows (15:31-114) discussed specifications for school buses in detail and presented supporting data on many of the recommendations made by the National Conference referred to above. In addition, correct wheel rim size and dual rear wheel spacing are reported for different

size balloon tires and high-pressure tires. According to actual experience and estimates, wood bodies last a little more than half as long as all-steel bodies, and composite wood and steel bodies last about seven-tenths as long as all-steel bodies. Case reports are given on school bus accidents and the resulting injury to pupils in wood, composite, and all-steel bodies. Noble (25:279-313) reviewed the minimum standards for school bus construction developed by the representatives of the forty-eight state education departments, and urged that the states which have not already adopted these standards do so at the earliest possible date. The National Education Association (23) presented an excellent summary of the legal requirements on transportation in 1936, and made the recommendation that school buses be constructed of all steel. The National Safety Council of 1936 published a bulletin on the safe design and operation of school buses (24).

The School Bus Driver

Meadows (15:115-45), Noble (25:346-76), and Reeder (28:33-60) each suggested lists of rules and regulations for employing drivers, for driver operation of school buses, and for driver supervision of transported pupils. These studies indicated that a driver should have special training for the job, should be of good character, should be required to pass a physical examination showing that he or she is free from organic disease; is not a drug addict; has good use of arms, hands, feet, and legs; can meet standard eye tests at least with glasses; has good hearing; and has sufficient strength to manipulate the school bus. Evidence was presented to show the necessity for state and local standards governing the school bus driver (19). The 1940 Southern States Work-Conference (29) proposed definite standards for all transportation personnel and suggested part-time employment of bus drivers in school building maintenance and repair work.

Liability of Schoolboards and Transportation Insurance

The general tort liability of schoolboards is reviewed in Chapter XIII. Meadows (15:237-43) tabulated and reported 104 superior court decisions rendered in the United States on tort of schoolboard members and their employees in connection with physical injury to pupils or other persons from school property, covering the period 1927-1939. Verdicts were rendered against boards of education in California, New Hampshire, New York, South Dakota, Tennessee, Washington, and Wisconsin. In Tennessee, in each case the court held that the liability of schoolboards was limited to the amount of liability insurance carried by such boards, but that schoolboards as agents of the state are not liable for tort in general. Reeder (28:79-91) pointed out that, in the absence of a statute imposing liability, school districts are not subject to liability for accidents.

Insurance—Van Ausdal (30:24) investigated school bus insurance in Ohio and found that indemnity payments from private insurance companies amounted to a net return of only 3.4 percent on the premium payments for the year 1938. Noble (25:489) conducted a questionnaire study on insurance costs and claims paid by insurance companies and found that paid indemnity claims amounted to only 12 percent of the cost of insurance. Noble concluded that there is a need for either the establishment of lower insurance premium rates or properly organized state programs of transportation insurance. Noble (25:495) found that when the premium dollar is divided into expenses and claim expense, premiums paid to insurance companies in connection with school bus transportation resulted in a 42 percent profit to the insurance companies. Meadows (15:244-52) briefly described the North Carolina law authorizing and directing the state school commission to provide compensation for school children killed or injured while riding the school bus to or from the public schools of the state. He made an investigation which showed that returns on insurance premiums paid by school administrative units amounted to zero in some cases and in no case studied exceeded the premium paid. Where insurance is carried with private companies, the recommendations of Joyner (12:51) and Johns (10:99) should be followed.

School Bus Routes and School Bus Schedules

Morphet (18, 19) made suggestions, based on actual field work in school surveys, for laying out bus routes and removing road hazards. Little (14:9-11) discussed the planning of bus routes, time on the road, and waiting stations. Lambert (13:86-116) dealt with the time factor in school bus routing and school bus schedules and reported his study of calculation of empirical norms. He suggested that the earliest time pupils should be required to board the school bus in the morning is seven-thirty. Reeder (28:15-31) stressed the importance of planning transportation routes and suggested twelve procedures for planning school bus routes and schedules. He recommended that, except in unusual cases, pupils not be required to spend more than one hour on the bus in either the morning or afternoon and that a maximum of forty-five minutes, or even less, is better. Meadows (15:146-78) recommended that the school bus schedule be a time and place schedule. He produced technics and procedures for mapping out school bus routes and making schedules, and illustrated their application to a school administrative unit. Noble (25:377-402) described desirable characteristics of a bus route and presented technics which may be used in planning routes. He found that only seven state departments of education maintained pupil transportation offices, leaving, in an overwhelming majority of the states, the planning of bus routes to local initiative, tending toward unsafe and unduly expensive transportation.

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CHAPTER X

Supply Service¹

FRANCIS C. BUROS and T. GEORGE WALKER

THERE HAS BEEN no effort in this chapter to bring specifically to the attention of those interested in educational research the growing literature in supply management which has been developed by trades and industries even though much of it may have an absolute or adaptive value for school business management. The chapter has been further delimited through earlier studies in the field by Fowlkes (16) and Hibbert (20). Much that is included in the chapter may be labeled research only by courtesy. It is included, however, because in a field in which scholarly inquiry has been limited, it looms as perhaps the most significant opinion and thought available to those interested in supply management.

Selection of Supplies

A study by the National Association of Public School Business Officials (37) of 297 schools revealed the fact that 22 percent of the schools entrust selection of supplies to an individual while 78 percent hold to a combination plan. Combinations involve the principal, business manager, supervisor, board of education, committee, and other agents and agencies. The study revealed that the bases for selection for supplies were (a) courses of study, (b) personal opinion, (c) teachers' requests, (d) textbook requirements, (e) supervisors' recommendations, and (f) judgment of the superintendent. There is general agreement among writers in the field of school administration, such as Barr, Burton, and Brueckner (3), Ford (15), Goodier and Miller (17), and Koos and others (29), that the instructional staff should have a voice in the selection of instructional school supplies. Strayer (44) pointed out that standardization of supplies must not be carried to the point that the standards conflict with educational aims. The development of standards must be a continuing, cooperative enterprise in which the using agencies work with representatives of the department of supplies. Abbott (1) urged principals to use the teachers' requisitions for supplies and equipment as an aid in developing the educational program in their schools. The teacher's requisitions will reflect to some degree his abilities and professional attitudes. The principal's policy in regard to materials and facilities of teaching should have an influence in stimulating teachers to achieve the well-rounded, child-adapted educational program he and they have planned. The Association for Childhood Education (2) has listed the needs of the primary grades, kindergarten, and nursery schools for supplies and equipment.

¹ Bibliography for this chapter begins on page 217.

Purchasing

Moe (33) recommended the centralization of the purchasing authority under the superintendent, and Jimerson (24) pointed out the need for definitely designating the official responsible for purchasing. Engelhardt (13) suggested that the purchasing division should arrange for periodic surveys of its practices. He would have the teaching and supervisory personnel participate in these surveys and would have them consider changes in the standardized lists, ways of securing greater economy, and promptness of service. The question of local purchasing is one that is always before the purchasing agent. Huggett (23) found some unethical practices carried out by school districts to favor local buying. He recommended that this problem be handled with tact, fairness, and careful attention to the interests of the school and district. Yerge (48) described a handbook on the standardization of supplies and their procurement which has been developed by a committee of the California Association of Public School Business Officials. He stated that the purpose of the handbook is (a) to encourage the school districts to adopt the practices of simplification and standardization; (b) to advocate and stimulate the greater use of specifications in the purchase of their standard supplies, and the testing of materials offered or furnished by the successful bidder; and (c) to discourage the use of lax and uneconomical practices by promoting sound business principles.

Specifications—Hassemer (18), Koopman (28), McAllister (32), Moe (33), Moss (36), and Strickler (45) emphasized the need for a specification which will enable the seller to learn what is wanted and the need for a definite program of inspecting and testing materials as received. Opie (39) discussed the matter of specifications from the viewpoint of the seller and requested that in the name of fair play the purchasing agent should state what he means and then not award an order for inferior material. Boedecker (5) offered information on specifications for soap while Kirk (27) presented some facts to be used in the purchase of paint. Most of the writers in this field agree that purchasing should be primarily through competitive bids. Jimerson (24, 25), however, found that there is a deplorable lack of sound business procedure in the purchase of school supplies. He concluded that the chief difficulty has been that proper specifications have not been available to purchasing agents. He suggested that every purchasing agent make use of specifications developed by the governmental agencies, that some specifications can be secured from sources such as trade journals and association publications. Again assistance can often be secured from dealers or manufacturers in the preparation of specifications; these should be checked with other dealers or manufacturers.

Testing Goods Delivered

To check goods for quality Jimerson (24, 25) suggested that one might (a) avail himself of the certification plan of the National Bureau of Stand-

ards, (b) require vendors to make a sworn statement that the product sold meets the specifications, (c) submit samples of goods delivered to government or commercial agency to test, or (d) test with facilities available. Hibbert and his committee (21) suggested establishment of testing laboratories by the National Association of Public School Business Officials, utilization of the laboratories of the National Bureau of Standards and the universities, and a published black list for "fly by night" companies that persistently furnish supplies inferior to specifications. Crawford (11) found, as a result of experience in the Muskegon schools, that testing of delivered materials must not be done by one person but by cooperative testing within the system or, better still, by a plan of cooperative testing worked out by several small systems in which committees could be formed to work together in gathering, checking, and classifying simple tests for school supplies.

Burns (7) presented the procedure followed in Baltimore in setting up standards and tests for various supplies. Testing is done for three purposes: (a) testing throughout the year to determine what the specification is going to be; (b) testing specifically before making awards; and (c) testing after the article is delivered to see if it is equal to the sample on which the award was made. In determining standards classroom requirements are completely analyzed. Ernst (14) was not so interested in what is in a product as in what it will do. He stated that the heart of the specification is the section headed "tests," and the most satisfactory and conclusive test is that of actual use. Morphet (35) pointed out that faith in a manufacturer's product or label may be justified from experience but it is no insurance against errors in manufacture or a decision to change manufacturing standards. Baumgartner (4) stated that generally speaking the cost of tests should not exceed 1 to 3 percent of the money value of the material to be inspected.

Cooperative Purchasing

Moe (33) in the Regents' Inquiry recommended that a part of the program of the state education department be devoted to encouraging (a) cooperative purchasing, (b) stimulation of competition, (c) development of standard specifications, (d) inspection and testing of goods delivered, (e) control over goods in storage. Morphet (34) noted that the small school's problem of selecting and purchasing satisfactory equipment and supplies at a reasonable price is a difficult one as the principal usually has neither the technical knowledge nor the time to devote to the problem. He urged that small school units be reorganized into larger units, or that a cooperative plan be worked out for large-scale buying and testing, and that the state department of education take the lead in preparation of specifications and testing of products purchased.

Borning (6) reported a plan of cooperative buying of books and supplies adopted and carried out among sixty schools in Hennepin County, Minne-

sota. Teachers and principals made out their requisitions which were sent to the county superintendent's office. School supply firms bid on the combined order with delivery to each school included in the price. The superintendent and an assisting committee of five schoolboard members chose the successful bidder. Each school was billed for its share of supplies and saved about 20 percent of what the cost would have been had the school sent in its own order. Substantial savings were also shown in a California study by Yelland (47). In the study by the National Association of Public School Business Officials it was found that 43 percent of the schools keep purchases within a per pupil cost; 57 percent do not. Forty percent of the 297 schools placed orders with a single company while the remaining schools divided the contracts.

Stores Management

Hibbert (19) maintained that many advantages accrue to school systems in having a central warehouse for school supplies. The estimating of needs becomes easier and more accurate. It is easier to check supplies for quality and quantity, and better control and records can be kept. Clettenberg (8) and Decker (12) favored the central warehouse. Jimerson (24) cautioned against waste due to overstocking. Koopman (28) made several suggestions on storing equipment in the central warehouse. Joyner (26) pointed out the possibilities of salvaging supply materials and equipment through repairs by the maintenance staff. He warned, however, that such repair procedures could be carried to undesirable extremes; labor costs should never exceed the value of replaceable materials. The Southern States Work Conference on School Administrative Problems (43) listed miscellaneous formulas which may be used in the preparation of certain supplies. The list suggested an area of savings through school preparation of simple compounds usually purchased from commercial houses.

Distribution of Supplies

Suffield (46), in a study of instructional supply administration, found that the progressive school must be given more freedom in the requisitioning of supplies than the traditional school—that is, a larger amount of material not appearing on the school's standardized list is required. He also found that schools preferred a money-allotment plan rather than an item- or article-allotment plan to determine the amount which a school might requisition. To assist the principals in analyzing their use of materials, he suggested that supply-consumption studies be made from time to time. Hibbert and his committee (21) found that frequency and methods of delivery of supplies in cities of 15,000 to 20,000 population represent widely varying practices. Thirty-one of 106 school systems which submitted data for the study used a plan of weekly delivery; twenty-nine delivered supplies as

needed without reference to a schedule; nineteen used a plan of monthly delivery; the other systems reported delivery of supplies from daily to annually. Over half of the systems maintained a central storeroom delivery by school-owned truck only.

Textbook Selection and Purchase

The writers who have discussed textbook administration in recent years are largely in agreement that teachers should have a voice in the selection of textbooks. Among the many who have touched on the subject may be listed Ford (15), Goodier and Miller (17), Koos and others (29), and Newsom and Langfitt (38). Most have agreed that a checklist for appraisal and adoption of books is desirable. Ford (15) summarized the instructional attitude reasonably well in his conclusion that books should be selected only after thorough study and experimentation in their use over the period for which they are designed. Early in 1936 the textbook publishers and manufacturers (9) submitted proposed manufacturing standards and specifications for textbooks for the adopting agencies throughout the country. While the need for uniform standards was recognized by the states furnishing free textbooks, there was a general feeling that standards should be prepared cooperatively, with school needs outlined by professional schoolmen. Accordingly, in April 1938, representatives of the publishers, manufacturers, and state departments of education met in Tallahassee, Florida, and later in New York, for a series of conferences. As a result of these conferences the committee (9, 10) has recommended complete minimum standards and specifications for the manufacture of textbooks. These standards involve binding processes, materials, workmanship, and tests for materials. Durability has been assumed provided that the specifications are met in full.

It would appear that some principle of cooperative buying of textbooks in situations not subject to uniform adoption and purchase by large units would have possibilities of saving. In the experiment reported by Borning (6), the sixty participating schools in Hennepin County, Minnesota, purchased their textbooks cooperatively. Unlike the procedure in supply distribution the books were distributed by one superintendent's office. Publishers shipped the books by freight, separately packaged and tagged for each school. Rich (40) emphasized that the costs of books and supplies are very small items in the school budget. He concluded that to save on books and materials is to waste teacher and pupil time and to sacrifice pupil learning.

Textbook Conservation

On the basis of reports from a number of cities, Roberts (41) assumed the average life of the textbook in the hands of pupils to be from four to five

years. Sheeley (42) conducted a study in the care of books in the Kinloch Park School, Miami, Florida, using a control and an experimental group. He concluded that care and responsibility for books can be taught with desirable results either through an activity unit or a teacher-dominated situation. Koos and others (29) pointed out that tolerance of abuse of books, equipment, and supplies is evidence of inefficiency and administrative irresponsibility.

Accounting for books—Taylor, a contributor to Newsom and Langfitt's work, *Administrative Practices in Large High Schools* (38), stressed the value of proper accounting procedures and records in textbook administration. Forms were suggested for a textbook inventory account and a store-room record of teachers' requisitions. Roberts (41) suggested that among the records which should have a place in a system of textbook accounts, the following should be listed: (a) book identification record; (b) perpetual store room inventory; (c) receipts for purchases; (d) records of withdrawals, excess books returned, and those returned for discard.

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CHAPTER XI

Principles, Personnel, and Management in Business Administration¹

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BECAUSE OF THE MULTITUDE of tasks and the need for prompt and efficient performance, it is relatively easy to consider the business activities as ends in themselves rather than as means for achieving the main purpose of a public school system, namely, the education of children. There is also the inherent danger that certain areas of business administration may be overlooked or neglected because of a lack of specific procedures or programs. Studies related to instances of this sort will be discussed in this chapter. It must be conceded at the outset that there are few studies available in many of the areas to be considered. Hence it is hoped that this chapter will stimulate research projects in those areas.

General Principles of Business Management

De Kock (16), in an article based upon a study of school surveys recently made in ten cities scattered from coast to coast, suggested an over-all view of business administration as a service organization of which the chief beneficiary is the educational administration. The St. Louis survey report (51) suggested that business administration is an aspect of school administration which has developed slowly and recently. The emphasis in the past has been upon the mechanics of task performance. The need in the future suggests a concentration upon community analysis, problems of taxation, the security of personnel, and broader educational concepts. In the past, workers have not been trained for many of the services which they have performed in business administration. The Pittsburgh survey report (50) presented certain basic criteria for the measurement of business administration in its relationships to the community, in its relationships to the school and community, and in its relationships to the school. The report indicated that there is frequently a tendency to institute certain practices and to follow them even though they may have been outmoded.

Self-evaluation—De Kock (16) stated that a modern school plant cannot be organized or operated on the basis of individual judgment or opinion. The St. Louis survey report (51) expressed the need for a measurement of school business administration to discover such time- and money-wasters as obsolete methods, duplication, failure to standardize processes, performance of services which bring no educational return, or failure to utilize the services or output of other agencies within the community. The Pittsburgh

¹ Bibliography for this chapter begins on page 223.

survey report (50) proposed that a research program covering a period of time should be outlined and workers should be specifically assigned to this service. Grill (27) suggested a self-survey for the school business officials.

Office equipment—The Cincinnati survey (54) recommended electrically operated office machines. The Hartford survey (49) suggested the use of a postage meter. Arnold (5), De Kock (16), and Schmidt (46) recommended a degree of uniformity of records and a similarity with state department records. Lewis (31) outlined the use of tabulating machines as an aid to various phases of business administration. Scates (45) discussed accounting codes adapted to tabulating machines.

Selection and Training of Nonteaching Personnel

Davis (15) stated that a hundred or even seventy-five years ago there were few school employees other than teachers. Moehlman (35) suggested a definition of the nonteaching personnel which included all those whose work is essential to the facilitation of the instructional process. The salary studies of the National Education Association (37) showed that for cities over 30,000 in population slightly over one-seventh of all employees are in the nonteaching group. Davis (15) found that in twelve selected cities the nonteaching personnel represented one-fifth of the staff. In rural areas the proportion may be different.

Studies have been published on the work of attendance officers (47), nurses (13), custodians (44), and secretarial workers (8). Crayton (14) proposed certain principles for training of clerical personnel, together with a philosophic evaluation of the work of the clerical service workers. The Cincinnati survey report (54) suggested a policy of clerical and secretarial personnel promotion in connection with a classified civil service. Strayer (51) suggested in-service training for office personnel, that secretaries should be organized into professional study groups (50) for the analysis of their problems, and the production of a handbook and other materials to insure superior practices. Bruce (9) discussed credit unions for the nonteaching personnel. The last number of the REVIEW devoted to the school plant (October 1938) reviewed literature relating to custodial and building service personnel.

Increasing emphasis is placed upon the pre-service and in-service training of the nonteaching personnel. The St. Louis survey report (51) suggested the creation of an institute of school business administration for the improvement of the work in business administration and the stimulation of the workers to a better understanding of their part in the public school system. Strayer (50), in the Pittsburgh survey report, suggested that such an institute should be organized with a definite curriculum covering all aspects of business administration and their relationship to educational needs. The nonteaching group should recognize their obligation to continue their educational training.

Cafeteria Management

Tracy (53) and the Pasadena survey (12) emphasized that the school cafeteria should be under the control of the board of education and under the administrative control of the superintendent of schools. Hull and Ford (28) suggested general principles of cafeteria administration. Bryan (11) suggested the relationship of the cafeteria manager as that of a staff officer. Tracy (53) said that administration of the cafeteria begins with the board's statement of policy, and De Kock (16) mentioned the need for uniformity of policy. Powers (42) stated that administrators should seek to coordinate cafeteria service with the larger educational program; that it is a definite part of the school curriculum and therefore must function for educational ends. De Kock (16) required that the cafeteria should supply meaningful education as well as wholesome food. Lynch (32) reported that the cafeteria should be operated as a nonprofit organization as well as a teaching device.

Bryan (10), Pendergast and Wiles (40), and Powers (42) set standards for cafeteria managers; viz., home economics graduates with a major in institutional management. Pendergast and Wiles (40) reported a training course for prospective cafeteria managers which consisted of twenty weeks of training in five aspects of the work, with internship. Bryan (11) and De Kock (16) advised a training course for both managers and workers. Bryan (11) required that these workers have academic status and salaries comparable to those of others equally trained. Edwards (17) proposed that there be centralized administration, with administrative duties divided between a supervisor and a business manager. Gilbert (26) found that teachers who manage small cafeterias together with a part-time teaching load, thought that at least two hours should be allowed for this service. Barr (6) discussed the handling of receipts, inventories, and bills. Behm (7) presented a double-entry bookkeeping system for use in a school cafeteria operated as a single financial unit. Knoll (29) and Bryan (10) mentioned principles of financial management of the cafeteria. Theofilos (52) offered a checklist for the measurement of cafeteria service which suggested a management plan and a check of the financial accounting.

Administration of Internal Accounts

The earlier works on internal accounting emphasized budgeting, centralizing, and auditing of extracurriculum funds (21, 22). Fowlkes (24) more recently discussed the nature and universality of extracurriculum activities. Mason (34), Slobetz (48), and Laffin (30) emphasized the need for a budget. Arnold (5) suggested that the purchase and custody of extracurriculum supplies and equipment should be a function of the business manager. Laffin (30), Mason (34), Slobetz (48), and Young (57) advocated centralized internal accounting systems. Mason (34) emphasized the need for an annual audit. The responsibility of the board of education

and the administrator for internal funds was treated by Mason (34), Osborne (39), and Wiles (56). General rules approved by the board of education were listed by Young (57). Fowlkes (24) discussed trends in the business management and financial support of extracurriculum activities. Walsh (55) maintained that an internal accounting system should be simple, adequate, and accessible. Mason (34) said the system should be accurate, comprehensive, and easy to operate.

Osborne (39) found the preparation of the budget to be valuable student training in evaluation if proper safeguards are provided. Laffin (30) and Slobetz (48) suggested payment of all obligations by check. Abbott (1) offered a rating scale for surveying internal accounting funds, covering fourteen phases of the internal accounting processes. Fowlkes (24, 25) suggested that the philosophical foundation of extracurriculum activities is badly in need of clarification.

Real Estate Management

Little research is available in this field. Alves, Anderson, and Fowlkes (3), Alves and Morphet (4), and Marsh (33) discussed the importance of long-term study of various factors affecting school districts and city planning. D. C. Rogers (43) offered criteria for selection of school sites in Chicago. Engelhardt (20) mentioned the consequences of inadequate site planning. The Pasadena survey (12) reported the necessity for, and values of, a property register. The New Rochelle survey (38) related general principles of maintenance of real property. There is need for study of the philosophy of real estate management, the relation of nontaxable school property, the effect of public school participation in real estate operation, and policies affecting the use, rental, leasing, and disposal of public school real property. Management of salvage was referred to briefly in the St. Louis report (51). Depreciation management was referred to by Poruben (41) and by Adams (2). Contractual forms for school building construction have been prepared by Engelhardt (19). Checklists on contractual relations within a school building program have been prepared by Morrison and others (36), and on contract relationships between the board of education and the building contractor by Eifler and Hosler (18).

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CHAPTER XII

Effects of Legislation and Court Decisions on School Finance and Business Administration¹

M. M. CHAMBERS

Reports and Analyses of Legislation and Court Decisions

THE STANDARD SOURCE of information on a nationwide scale is Keesecker's biennial reviews of educational legislation. In the latest number of this series (48) the following trends in school finance were noted: (a) increased state participation in school support, (b) increasing use of taxes other than the property tax as sources of state school revenue, (c) increasing state control of school budgets, expenditures, and indebtedness, and (d) the establishment of minimum state aid foundation programs of statewide application. Less comprehensive, but reaching the public more promptly, are the frequent articles on school legislation by Chambers (18, 22, 23). For complete and well-organized annual digests of judicial decisions throughout the nation, one turns to the *Yearbooks of School Law*, written by a group of some twenty competent contributors and published by the American Council on Education (25).

Studies of State Laws on Systems of School Finance

The most authoritative published study of a single state was the volume by Grace and Moe (39), prepared for the Regents' Inquiry into the Character and Cost of Public Education in the State of New York. Important changes in state school finance in West Virginia, beginning with the property tax limitation amendment of 1932 and the county unit act of 1933, were ably evaluated by Bolling (7). From the situation wherein property taxes were the chief source of revenue and the state paid only about 5 percent of school costs, the state has shifted to the position where about 55 percent of the expense of the school system is paid by the state from sources other than property taxes. Other valuable studies of West Virginia are the doctoral dissertations of Palmer (67) and Rice (74). Alabama legislation of 1939 effecting increased appropriations to the state school fund, an improved method of apportioning the fund, and an ingenious and successful statewide scheme to save local districts from expensive short-term borrowing were reported by Chambers (21).

Scott (76), studying the effects of the clutch of three Kansas statutes of 1933 known as the "tax limitation law," the "budget law," and the "cash basis law," made a generally favorable report with five suggestions: (a) budget and accounting forms should be prescribed by the superintendent

¹ Bibliography for this chapter begins on page 236.

of public instruction (rather than by some other state authority) to avoid multiplicity and overlapping; (b) budget hearings should be discontinued because public interest and actual attendance do not justify them; (c) districts should be allowed to issue emergency warrants up to 25 percent of the current budget and warrants in anticipation of delinquent taxes; (d) boards of education should be allowed to raise the tax levy 25 percent in between-election years, to save the expense of special elections; and (e) boards should be allowed to make reasonable levies for the purpose of accumulating a surplus for future needs.

Taxation for Public Education

In his annual reviews of the court decisions touching school taxes, Yakel (86, 87, 88) presented cases on the various questions relating to the power to levy taxes, what property is subject to taxation, and so forth. Among many other cases he reported the Kentucky decision holding that a city in that state cannot levy a tax for the support of a public junior college except after the proposal has been approved at an election, and the Pennsylvania decision to the effect that a board of education whose members are appointed rather than elected cannot be authorized to levy taxes because this would be an unconstitutional delegation of the taxing power. Looking broadly at the reconstruction of state revenue systems, Dewey (32) advocated "a balanced program, making use of income, general sales and property taxes for major revenues." He also recommended a nonpolitical state tax commission with broad administrative powers. Lemmel (54) declared that the assessment of property is the weakest link in current tax systems and argued that this function for the entire state should be put in the hands of a three-member state tax commission appointed by the governor for terms of at least nine years and including at least one member of the political science faculty of the state university. Wilkins (84) and Witmeyer (85) devoted their dissertations respectively to salient aspects of school tax management in Texas and Pennsylvania.

The National Education Association (63) published a condensed but exhaustive tracing of the progress of school tax legislation through the five-year period, 1934-38. Prominent in the picture is the extension of the general sales tax as a source of school revenue to the point where it was in operation in 23 states by 1938. Also prominent were efforts to relieve property taxpayers by enacting homestead exemptions, permissive reduction of state and local levies, and low maximum limits on property tax rates. During the period four states either greatly reduced, suspended, or entirely abandoned the property tax as a source of revenue for state purposes. Three states enacted new laws aimed at greater efficiency in state tax administration, and fifteen states provided for investigations by special commissions. Hudson (46) reported that by the spring of 1939 some form of

special relief from the property tax to home owners was in force in Alabama, Arkansas, Florida, Georgia, Indiana, Iowa, Minnesota, Mississippi, New Mexico, Oklahoma, Texas, Vermont, West Virginia, and Wyoming. He found that there is no conclusive evidence that home ownership is stimulated by tax exemptions and doubted that the exemption is desirable. He concluded that it resulted in higher tax rates on other property and in increased state aid, financed mainly by new or increased sales taxes.

State School Funds

Coffey (26, 27, 28) has made regular annual reports of the judicial decisions affecting state school administration, including many touching the distribution of state funds to the local districts. He noted the New York decision against the constitutionality of furnishing public transportation to pupils in private schools (reversed by constitutional amendment in 1938); the Washington decision that state common school funds could not be used for vocational rehabilitation; the Ohio decision that the state director of education is under no statutory obligation to apportion state school funds to a school district on the basis of the attendance of pupils who reside in another district and actually attend the district in question without proper authority; the Oklahoma decision that the income tax act of 1935, in which the allocation of proceeds to the schools was dropped, did not affect the distribution of uncollected revenues under earlier acts; and many others. A significant aspect of the apportionment of state school funds was explored in Hoffman's dissertation on the effect of state aid in Florida upon local efforts in supporting public schools (45).

Fiscal Consequences of District Reorganization

Studying the whole problem of the organization of units of school administration and support, Anderson (5) found that the creation of more efficient units can be accelerated by devising better methods of apportioning state funds and by simplifying the legal procedures necessary for boundary changes. Hitchcock (44) studied court decisions on the devolution of assets and liabilities when the school district boundaries are altered. He pointed to a need for legislation to cover the subject more precisely and suggested the value of a special administrative court to adjudicate the problems arising.

Borrowing by School Districts

The many judicial decisions regarding the issuance of bonds and other evidences of indebtedness by school districts have been reviewed annually by Owen (64, 65, 66). He has covered the cases relating to debt limitations, the statutory requirement of a balanced budget, elections for bond issues, and various incidents to the issue and sale of bonds and warrants. He re-

ported that in 1938 there was a sharp decline in the number of cases arising out of bank failures but a rise in the amount of litigation growing out of the relations between school districts and federal lending agencies (65). Owen reviewed a number of cases touching upon various forms of cooperation between school districts and other governmental agencies. A city school district in Kentucky, in order to secure a federal loan, transferred title to its school plant to the coterminous municipality. In Kansas a joint plan for the construction of a swimming pool by two school districts, one municipality, and the National Youth Administration was crippled by a decision that the expenditure by one of the school districts was unlawful because it had not levied taxes expressly for such a purpose. The Pennsylvania courts upheld the scheme of allowing the state or a local subdivision to arrange for the creation of a separate corporate authority for a specified purpose, in such manner that the authority thus created could borrow without regard to the debt limits imposed upon the local unit for whose purposes it was created. Approaching the subject from a statewide viewpoint, Lawson (52) argued for a special state board to study all proposed school district bond issues and to provide assistance in planning capital outlays, checking architectural plans, and giving professional service in supervising construction.

Eggert (34) reported an extensive study of short-term borrowing. He constructed a comprehensive table of statutes touching the subject in all states, showing the permissible amount, the maximum interest rate, the prescribed purposes, and miscellaneous statutory regulations. He found wide variations. Some states permit no short-term borrowing while others allow it up to 100 percent of the current revenue. The maximum interest rates were found to vary from 4 percent to 8 percent. Alabama's statute of 1939 created a plan under which short-term loans are obtained for school purposes at a rate of interest of about 1 percent (21).

Real Property and Taxation

Legal aspects of various problems related to the school plant have been treated in an earlier number of this REVIEW (15). Annual reviews of court decisions touching school property have been published by Weltzin (81, 82, 83). He reported cases on such topics as title, reversion, purchase, leasing, and sale of real estate. Of special interest were his digests of the cases regarding self-liquidating plans for financing the erection of public school buildings in Kentucky (81, 82). He also found considerable litigation on the taxability of school property and activities, noting that real property not in use for school purposes was held taxable in Illinois but allowed temporary exemption in South Dakota; that a devise of property for school purposes in Vermont was subject to the state inheritance tax; and that extracurriculum activities involving buying and selling were held subject to the sales tax in Kansas. Chambers (24) reported the Kansas case

and summarized the United States Supreme Court decision holding that state universities are obligated to collect and pay the federal tax on the sale of tickets to athletic contests. Fuller discussed the implications of this latter decision and of the recent elimination of judicial barriers which formerly prevented federal taxation of state agencies and *vice versa* (35).

Contracts for Buildings, Supplies, and Nonteaching Services

Annual reviews of the court decisions involving school contracts other than for teaching services were published by Day (29, 30, 31). From year to year he kept his readers abreast of developments respecting contracts for the employment of attorneys and architects, for the construction of buildings, and for the purchase of school supplies. In connection with these matters he treated contractors' bonds and materialmen's liens. He also touched contracts for the transportation of pupils. One case of wide interest is a Pennsylvania decision holding that schoolboards can lawfully purchase athletic paraphernalia for use by school teams in competitive sports but that the boards should determine the extent of such purchases "in the exercise of a cautious discretion, with special reference to the proportionate number of those who will receive the benefit of such supplies." Reviews of recent cases involving contracts with architects (13) and janitors (16) were published by Chambers, the latter article showing a commendable tendency toward giving all custodial and janitorial workers the status of employees of the school district in lieu of the quaint system of lump-sum contracting for the service in each building as a whole, which persists in some places.

Budgeting, Accounting, and Custody of School Funds

Court decisions interpreting the prescriptive and regulatory statutes applicable to budget-making by school districts were given a penetrating analysis by Hamilton (41), who concluded that the courts are slow to countenance any transfer of educational policy-making to noneducational fiscal authorities and that much of the statutory law has little result except to cause schoolboards to give more thought and planning to their budgets, which is a wholesome consequence. Peterson (68), in his dissertation on school budget hearings, found that thirteen states require such hearings in all school districts and twenty other states require a hearing or an analogous procedure in at least some types of districts. Most of the statutes were enacted since 1920. Though there was evidence of ineffectiveness (two-thirds of the districts reporting had fewer than four citizens in attendance), Peterson recommended that better publicity, better timing, and better conduct of the meeting should be tried. Tolle's study (79) of school budgetary procedure in New Mexico concluded that the educational budget auditor should be an employee of the state board of education and that the power to adopt school budgets should rest with independent local

boards of education. Martin's dissertation (58) set up an imposing list of principles of school accounting and attempted to show to what extent the forty-eight states fall short of putting them into practice.

Mowls (61), studying the protection of school funds, put principal emphasis on safe custody. He reported that personal bonds covering the faithfulness of custodial agents were less satisfactory than corporate surety bonds, and recommended that the school district should pay the premiums on all such bonds and obtain them from surety companies approved by the state authorities. He was not enthusiastic about state insurance but reported more favorably upon the work of the state banks in North Dakota and Delaware, and upon that of the Utah state depository board. Real estate and mortgages he regarded as relatively unsafe either as investments or as collateral to protect school funds on deposit.

Fiscal relations with other civil units—Looking into the fiscal relations between school districts and other civil bodies in 191 cities of 50,000 or over, Bolmeier (8) reported that in 151 of these cities the school budget must be submitted to state, city, or county authorities. However, in only seventy-seven such cities does the budget go to a city official or board, and in only sixty-six do the city authorities have any power to review or revise it. Moreover, in many of these instances the extent of the power is so circumscribed as to be negligible. In forty-one of the cities it is limited to changes in the lump sum only. Bolmeier collected similar information regarding custody of school funds, auditing, levy and collection of school taxes, and the issuance of school bonds. Bolmeier's findings were condensed to form one chapter in the otherwise debatable report published by Henry and Kerwin (43) in which the fiscal independence of school districts (and, indeed, their existence as corporate entities) was opposed. The report seemed to confuse fiscal control of schools by non-educational municipal authorities with cooperation between the schools and related departments of the municipal government. The two are in fact quite distinct, and either can exist in high degree without the other.

Muller (62) marshaled five cogent reasons why schoolboard budgets should be free from interference by noneducational fiscal officers: (a) usurpation of full administrative control follows fiscal control, (b) division of authority and responsibility produces conflict and inefficiency, (c) interest and enthusiasm wane when fiscal independence is lost, (d) long-term planning is impossible without fiscal autonomy, and (e) the mere size of the educational function in the local fiscal picture justifies its independence. Morphet (60), charting the line between auditing and educational policy-making, pointed out that the proper sphere of auditing includes inspection for the purpose of ascertaining the fact of fraud, misappropriation of funds, or the financial history or position of a board of education as shown by an analysis of receipts and expenditures for a given period or at a stated time, but that the determination of educational policies to be followed in providing an educational offering of maximum

benefit to the public is not the function of an auditor. He indicated that auditors frequently overstep their bounds and cited a glaring example.

Tort Responsibility

In the course of his annual reviews of the higher court cases touching the tort liability of school districts and school personnel in all the states, Lockenour (55, 56, 57) explained the California statutes which extensively modify the common-law doctrine of nonliability and reviewed occasional cases deviating from the doctrine in other states, especially New York. He sharply criticized the theory, advanced by some courts, that anything a school district does is a governmental rather than a proprietary function and therefore carries immunity from tort responsibility. He also properly assailed the peculiar Iowa doctrine that even the employees of a school district are personally immune from liability for their own negligence while performing a governmental function. Studying the tort liability of individual employees and officers of school districts, Dice (33) recommended that school districts be required to assume liability for the negligence of their agents and compelled to carry insurance covering that liability.

The most recently published substantial study of the tort responsibility of school districts is by Rosenfield (75). He argued convincingly that the common-law immunity from liability should be abrogated in the interests of justice to innocent injured parties. He also considered the possibilities in improved methods of reporting accidents, more explicit communications by the school authorities and parents regarding pupil activities, the creation of special schemes for the indemnification of pupils injured in athletic contests, and general liability insurance, with the possibility of states or large cities creating and maintaining their own insurance funds for that purpose. Investigating the liability for injuries in school transportation, Punke (73) illuminated the distinction which some courts set up between an agent of the district and an independent contractor when fixing liability. The distinction is most often pertinent in California, where the district may frequently be held liable under the statutes. He also reviewed some of the recent cases in several states showing a trend toward holding school districts liable to the extent of their own recovery from the insurer, when they hold indemnity insurance.

Public Aid to Nonpublic Schools

A historical study of public funds for church and private schools is contained in Gabel's dissertation (36). He urged that a maximum of religious liberty together with a maximum of educational opportunity would be consonant with the advancement of a democratic society. Kearney (47) reviewed the leading court decisions touching nonfinancial public aid and financial aid (both direct and indirect) to private sectarian schools

and their pupils. He concluded that the question is now one of degree as to what particular benefits available to public schools and their pupils may be extended to private and sectarian schools.

Kindred (49, 50, 51) went into the same subject in his doctoral dissertation. He found that all state constitutions except those of Maine, Vermont, and Maryland have restrictive clauses, some forbidding appropriations to any institutions not under exclusive control of the state, and others merely forbidding aid to sectarian institutions. Illinois, Indiana, Louisiana, Maryland, Massachusetts, New York, and Kansas were reported as having statutes permitting free public transportation for pupils in private and parochial schools. Connecticut, New Hampshire, and Vermont permitted this for nonsectarian private schools only. Louisiana, New Mexico, and Indiana provided for free textbooks for children not in attendance in public schools. Louisiana included school supplies. Such provision of textbooks was once declared unconstitutional by the New York courts but was sustained by the courts of Louisiana and by the Supreme Court of the United States (49). Maine and Vermont give outright state financial aid to private schools. Of more current interest today are the indirect forms of aid, including not only such services as free transportation and free textbooks but also free water and light, and health and safety services to pupils (49). Some of the foregoing questions, including also the use of public school funds and property for nonschool purposes, were treated in Pizor's dissertation (69). He reported the growth of a broader attitude toward the function of education as well as an extended concept of the nature and use of public property and noted a progressive tendency to modify the rigid legal limitations on its use.

Federal Aid for Public Education

The well-known report of the President's Advisory Committee on Education and the nineteen staff studies, constituting an imposing array of evidence showing the desirability and inevitability of federal aid to the states for general education, have received much attention in other chapters of this issue. It is appropriate to note here Hamilton's special study (42) of the legal aspects of the subject, in which he concluded that there are no insuperable constitutional or other legal obstacles to the program recommended. The educational press has carried many solid articles in support of the principle. One of the most interesting of these was Swift's summary (78) of school finance in England and France, showing both of these countries to be far in advance of the United States in the proportion of the cost of education supplied by the national governments. In England this proportion was reported as somewhat over 50 percent. In France the state pays all teachers' salaries, encourages their marriage, gives maternity leaves and allowances for dependent children as well as "milk bonuses." The state also makes grants for school buildings.

The annual reports by Punke (70, 71, 72) of court decisions involving federal grants and loans for the construction of school buildings constitute a valuable record of the period during which this activity was carried on under the Federal Emergency Administration of Public Works. He reported the judicial reasoning on the several controverted questions, such as the combining of the local and general welfare, the application of the prescribed stipulations regarding labor standards, the avoidance of stalemate because of a too rigid adherence to debt limitations, and other legal incidents of obtaining a vast improvement in the national school plant through cooperation by the federal, state, and local governments. A briefer resume of the court decisions on PWA and the schools was published by Chambers (17), noting that the legal pathway is clear for a resumption of a similar program whenever Congress may see fit.

Finance in Higher Education

Looking at philanthropy as a source of support for higher education, with special reference to the twenty years since 1920, Goldthorpe (38) recommended that the privately controlled colleges and universities study and safeguard their tax-exempt status and take three other steps: (a) carry on institutional self-surveys and work toward the coordination of educational programs involving several institutions on local, state, or regional bases; (b) carry on long-range planning to promote gifts and maintain an organization within the institution for that purpose; and (c) strive to convey to the public a better understanding of the broader purposes and procedures of higher education. "Political and educational activity of a broad statesmanlike character is one of higher education's most serious needs," he said. In his special study of the effect of the federal income tax exemption, the same author noted that an increasing share of private gifts is going to tax-supported institutions, and that, in general, income-taxpayers are utilizing less than 2 percent of the maximum exemption of 15 percent allowed by federal law (37). He concluded that there is apparently little real cause for alarm that a more even distribution of incomes among the people would necessarily have any bad effect upon the financing of educational and philanthropic institutions.

Notable work has been done by the Financial Advisory Service of the American Council on Education. From 1935 to 1940 it produced eighteen bulletins on various aspects of college finance. Typical of these are the two most recent ones, being respectively a guide to proper auditing procedure both for the institution and for the public accountant engaged in auditing its accounts (12) and a study of the diversification of the investment portfolios of 110 institutions holding endowment funds aggregating about one and one-quarter billions (2). A recent manual described how to establish an accounting system in a teachers college and how to coordinate the budget, the accounting system, and the financial reports (59).

A plan for determining equitable appropriations to the state teachers colleges of Pennsylvania was treated in Lecron's dissertation (53).

For the varied legal problems in the administration of higher education one turns to the annual reviews of court decisions by Brody (9, 10, 11), Chambers (14, 19, 20), Spencer (77), and Weaver (80). Therein are treated cases touching the financing of buildings, tax exemptions, tort responsibility, and the validity and execution of educational trusts. On the last-mentioned topic, a thorough exploration of the legal position of trustees of endowment funds has been made by Blackwell (6), tracing the history of the two pertinent judicial doctrines with special reference to the state of Missouri, but also embracing a study of the relevant decisions in some twenty other American jurisdictions.

The survey of Louisiana State University by the American Council on Education (3) embraced a study of the business organization and management of the institution. The survey of public higher education in Utah by the Council (4) recommended unification of the control of the several institutions under one governing board and also made specific recommendations regarding financial support and administration. The exploratory study of cooperation, coordination, and regionalization in higher education prepared for the American Council on Education (1) embraced some of the legal problems involved, including those arising from restrictions in the charters of privately controlled institutions and those growing out of the dearth or obscurity of legal provisions governing interstate agreements between and among state institutions.

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CHAPTER XIII

Emerging Conceptual Patterns in Finance and Business Administration¹

FRANCIS G. CORNELL

THIS CYCLE NUMBER of the REVIEW, the fourth in the series on finance and business administration, marks a decade of digests of research in the field. From Cubberley's *School Funds and Their Apportionment* in 1905 to the first cycle number published in 1932, research in school finance had earned a respectable position among fields of scientific inquiry. The history and evolution of study in educational finance through this period has been recorded in previous numbers. As we enter the fifth decade of the century we find, with all the shortcomings of our particular specie of research, encouraging evidence that the pioneer efforts of the past quarter century are being followed through. Indeed, that the preparation of this volume itself is in the hands of members of the second generation of investigators in school finance, is some evidence that our field is coming of age.

In scanning previous cycle numbers on finance and business administration, one notes that reviewers have been persistently critical of the extent to which literature in the field has been genuinely research in character. Contributions of former periods have been assessed as chiefly providing an increase in factual knowledge through the publication of complete and accurate descriptions. Methodology has been criticized as lacking the "controls" and "technic" or "experimentation" such as marked the scientific advance of research in instruction and the curriculum. Reviewers have repeatedly commented upon the superficiality of studies. All these things, we must admit, are true. We all know it. But if we redirect our energies properly, what of the future?

Summarized in the pages of this volume are inquiries which may be viewed with some degree of optimism. Research in the field is gaining in breadth of perspective. Technical progress has been made in the keeping of books for income and expenditures of educational enterprises. Researchers, in running short of problems dealing largely with traditional mechanisms, have been forced to extend their inquiries into the many areas within which the problems of school finance must be considered and into the practical research which enables application of scientific inquiry and the diffusion of desirable practice in the operation of American public schools. Research in finance and business administration, in attaining a stature of maturity, is being thrown against a backdrop of political theory, economics, public finance, sociology, and a broader conception of the whole pattern of American life.

The organization and integration of the knowledge and guiding prin-

¹ Bibliography for this chapter begins on page 243.

ciples into a "conceptual pattern" is beginning to take shape in rather specific terms. The chapter by Mort (8) in the Holmes committee report is a good sample of a synthesis of the problem area of school finance which could not have been written a decade ago. It has been for want of an integrating perspective that the study of problems of financial support and fiscal management of schools has been subject to criticism. It is true that much of the trivial matter which has appeared in published form has been the result of lack of coordinated effort and unity of perspective. Emerging conceptual patterns are forcing us to search for values and criteria far transcending enumerations of dollars, average daily attendance, and classrooms. The remedy, in part at least, will be the development of clear-cut *direction* and facilities with which studies may be knit into some meaningful whole.

Reviewed in this volume are large-scale studies in areas of school finance the like of which are mere suggestions of what inevitably the future will demand. Former attacks on the problem of federal support, for example, seem dwarfed beside the nineteen staff studies by the Advisory Committee on Education (1). The scope of studies by the Regents' Inquiry in New York State (6), though not limited exclusively to problems of finance, indicates something of what will have to be done in the future to lay out fiscal problems in terms of the many ramifications to which they lead. Regardless of how one appraises undertakings such as the work of the Advisory Committee on Education or the Regents' Inquiry and subsequent undertakings in New York State, one must agree that they indicate that we are getting down to bedrock.

We are beginning to realize that research in school finance is, after all, concerned ultimately with the problem of ordering our particular form of economy to the service of public education. We have, in simplest terms, three elements with which to deal. One of these we may call our economic system. Another we may call educational service in its most comprehensive sense. The third is the particular pattern of controls which American democracy has set up for administering public education. Students are beginning to recognize all three in attacking school fiscal problems. The writer, having been immersed for a period of five years in a smallscale but intensive study of this nature now being published in collaboration with Mort (9), is perhaps somewhat biased in emphasizing this as a hopeful and encouraging direction for research to take in our field. The writers attempted, among other things, to strengthen the understanding of methodology. In attempting to relate financial factors to the educational program itself, some workers have discredited approaches using statistical methods and the mathematical formula. But in discovering the limitations of methods of quantification many have made the mistake of largely denying the usefulness of statistical methods.

In the above study, the "educational program" was measured by statistical means in terms of "adaptability" or the extent to which schools

have taken on newer authenticated best practice. Other factors included were economic, cultural, professional, and administrative. It was found possible by statistical analysis to explain all differences in adaptability, not attributable to chance or sampling error, among wealthy and poor, and large and small school districts. By the introduction of time and spatial elements a longitudinal approach was possible, revealing the operational processes of school systems. Various aspects of adaptability have been subjected to detailed study by several doctoral students under Mort. Farnsworth's analysis (5) dealt with the introduction periods of innovations. A further study of the developmental aspect of adaptation was made by Bateman (2). Knott (7) examined the effects of "tax-leeway" upon local adaptability of school districts. Cillié (3) contrasted adaptability under centralization in a large city district with adaptability under decentralization. Ebey (4) applied technics of studying interdistrict variations in adaptability to the study of adaptability within a city school system.

We must avoid restrictions of any particular methodology or point of view and move forward in an effort to make use of the tools which best serve our purposes. It is not impossible that we may expect in the future less polarization of point of view with reference to such matters as the whole or the part method of attacking our problems, the mass description approach versus the limited case study upon carefully isolated factors, or statistical versus nonquantifying methods.

Conditions of school finance and fiscal control may be expected for some time to stand paramount among critical issues to be settled in public education. The contingencies of a highly unstable world economy suggest a myriad of difficulties which we may face within months. If we have truly made progress in improving methodology and broadening our field of vision, we have at least the intellectual resources which have been accumulated in a quarter of a century of research with which to meet a none too certain future. The time may soon be at hand when all the intellectual and mechanical facilities produced by researchers in this field will have to be mustered and coordinated for purposes of speeding up the adjustment of providing an adequate educational service in a new economy and in a new democracy. Our national income and the taxpayer's purse have just begun to feel the pressure of the expanding new governmental services with which public schools must compete for financial support. It is not a question of whether or not education in this country is to face a new crisis, but a question of when and how. There will be new problems. If we are not ready to solve them, they might be solved for us.

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